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ABSTRACT

This document contains transcripts of hearings on employment and the social costs of unemployment. During the hearings, testimony and prepared statements were taken from persons involved with unemployment programs, with Black community leaders, union representatives, teachers' representatives, police officials, and research professionals about the effects of the nation's current unemployment rate on those who are unemployed and their families. Some of the problems cited by the witnesses were rising crime rates, increased mortality for all age groups peaking at two to three years after periods of high unemployment, lack of training opportunities, especially for Black youths and for older displaced workers, and eventual lack of hope by the persons involved. Witnesses emphasized that the proposed federal cuts in already strained social services budgets would severely harm persons needing these services, especially in depressed areas of high unemployment, such as major cities. Witnesses proposed making training programs that have proven successful more available to youths who need them; removing income eligibility requirements for the structurally unemployed, such as displaced autoworkers, to make them eligible for retraining without waiting until their incomes go below the poverty level for six months; and creating programs such as subsidized employment, to encourage private employers to provide on-the-job training. (KC)

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OVERSIGHT HEARING ON FULL EMPLOYMENT

CE

HEARING

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

OF THE

COMMITTEE ON EDUCATION AND LABOR HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

FIRST SESSION

HEARING HELD IN LOS ANGELES, CALIF., ON AUGUST 13, 1981

Printed for the use of the Committee on Education and Labor

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OVERSIGHT HEARING ON FULL EMPLOYMENT

WEDNESDAY, AUGUST 13, 1981

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES,
COMMITTEE ON EDUCATION AND LABOR,
Los Angeles, Calif.

The subcommittee met, pursuant to call, at 9 a.m., in the Muses Room, Museum of Science and Industry, 700 State Drive, Los Angeles, Calif., Hon. Augustus F. Hawkins (chairman of the subcommittee) presiding.

Members present: Representatives Hawkins, Weiss, and Washington.

Also present: Representative Peyser.

Staff present: Susan D. Grayson, staff director; Carole M. Schanzer, legislative assistant; and Edie Baum, minority counsel, for labor.

Mr. HAWKINS. The Subcommittee on Employment Opportunities is called to order.

I realize that there will be many others drifting in, but the committee is very strict on starting on time and trying to terminate at a reasonable hour in order to accommodate the witnesses. We do know there are several witnesses whose time is limited, and for that reason, we want to accommodate them.

The subcommittee begins 2 days of hearings in Los Angeles on employment policy. These hearings are a continuation of the subcommittee's oversight on programs and policies to increase employment opportunities. This morning we will examine current economic policies and their impact on employment in the context of the mandate for full employment under the Full Employment and Balanced Growth Act. Tomorrow, we will be receiving testimony on equal employment opportunity laws and affirmative action programs.

I am very pleased that three distinguished members of the Education and Labor Committee are joining me in Los Angeles. Congressman Ted Weiss from New York City is due to be with us sometime between 9:30 a.m. and 10 a.m. However, to my immediate left is the Honorable Harold Washington from Chicago, a member of the subcommittee and the host of our hearings 2 days ago in the city of Chicago. Seated to his immediate left is the Honorable Peter Peyser from New York, a member of the full Education and Labor Committee. Both of these gentlemen have been invaluable in their support for full employment and equal opportunity. I appreciate their attendance today.

As an adjunct to that statement, may I say all of us experienced difficulties in flying across the country and we are indeed fortunate

and pleased that we have successfully completed the first half of the hearings, safely and in good humor.

Three years ago, Congress enacted the Full Employment and Balanced Growth Act which committed the Nation to a policy of reducing unemployment to 4 percent by 1983 and which established the framework for developing economic policies to achieve this goal.

Tragically, administration policies in every aspect of economic activity are moving away from this goal. We have now enacted massive cuts in Federal domestic spending which are projected to increase unemployment by the end of fiscal year 1982 by 1.7 million persons. Even the most optimistic administration forecast indicates an unemployment rate of 7.7 percent by the end of this fiscal year. Moreover, many of the programs which have been drastically reduced or eliminated would have directly benefited the economy through increased educational attainment, work experience and skill training. These programs are being eliminated without any alternative strategies to take their place.

The social and economic costs of high unemployment go much beyond the personal hardship suffered by individuals who lost their jobs. The cost to the economy of lost productivity and increased public assistance payments are well known.

For example, the Department of Labor recently attributed the second quarter 1981 decline in productivity of nine-tenths of 1 percent directly to the decline in employment and number of hours worked. Less clearly perceived are the costs which society bears in the form of physical and mental disease, suicide, and criminal activity. One issue which the subcommittee is exploring in this morning's hearing is the relationship between increased unemployment and crime.

Faced with continuing high unemployment, we must do more than rely simply on the hope that the economy will make miraculous strides as a result of untested theories. We have the obligation to develop policies and programs which will provide employment opportunities, increase the skill levels of unemployed or underemployed workers and improve the match between the needs of industry and the skills of labor.

Improving the skills of workers can make as important a contribution to restoring economic vitality as improvements in the Nation's capital stock and technology, yet Government incentives for capital investment are six to seven times greater than for improving the quality of the work force. It should be no surprise, therefore, that we have dropped from second to seventh among the world's industrialized nations in the measured skills of our workers. It is ironic that at the same time that we are investing billions in defense, the defense industries are facing production bottlenecks because of the lack of skilled workers.

A major portion of today's hearing will be to explore the potential opportunities for expanding employment opportunities and to determine how these opportunities may be made available to those at the bottom of the labor market who seem to fare the worst even in the best of times.

The Chair would like to take this opportunity to ask either of my distinguished colleagues with us today to make such remarks as they may wish to do.

First, Mr. Harold Washington.

Mr. WASHINGTON. Mr. Chairman, thank you.

Very briefly, I concur absolutely with the very cogent and pointed remarks you have made relative to the present administration's economic philosophy and budget cuts and the presumed effect that those cuts will have upon the economy, and even more specifically, the people within the broader spectrum of this country.

I am looking forward to hearing from these witnesses. You have an excellent battery of witnesses lined up.

I want to, at this time, commend the chairman for moving immediately into this area in anticipation of the possible effects of these cuts upon our economy and for attempting to come up with some solution or suggestions relative to how we can either live within it or go beyond it.

I want to commend the chairman for his anticipation and foresight. As I said before, I look forward to participating in these hearings over the next 2 days.

Mr. HAWKINS. Thank you, Mr. Washington.

Mr. Peyser.

Mr. PEYSER. Thank you, Mr. Chairman.

First of all, I just want to make note of the fact there is probably no one in Washington—over the past 12 years anyway—that has done more to develop the programs of employment and putting people to work than the chairman of this subcommittee, Mr. Hawkins. He has continually taken the lead. He has pushed and needled the Congress over the years to get going on these issues, and they have.

It is with regret, obviously, from members of the subcommittee and the full Education and Labor Committee that many of the changes that will be impacting this area and other areas of the country in 1982 are going to be impacts of a very negative nature. They are going to cost jobs, they are not going to be putting people to work. Of course, one of the purposes of the hearings is to hear some of the thoughts that you have on this issue.

Right here, Mr. Chairman, in this wonderful museum we are in in Los Angeles, I was just talking this morning to some of the people in the Summer Science Workshop, which is from what I have been able to see, just an outstanding program reaching nearly 6,000 young people every summer, and many of the training assistants, the young men and women who work here, mostly are high school students, mostly minority students who are city employees, they are going to have to be changed and slashed or terminated or reduced as the program that the new administration in Washington has put in begins to take hold.

I think that this very graphically demonstrates one of the great tragedies of this whole situation of having young men and women such as this, who are in the process of learning and striving to reach up and improve their own educational status, to find that they themselves are going to be victims of a program that is supposed to make America move forward, which in reality is going

to be making America take a major step backward unless we can do something about it.

Thank you for the opportunity, Mr. Chairman, of being out here with you. I am looking forward to the testimony and what we will learn at this time.

Mr. HAWKINS. Thank you, Mr. Peyser.

Seated to my immediate right is the staff director of the subcommittee, Ms. Susan Grayson. To the far right is Ms. Edie Baum, who is representing the Minority on the subcommittee today.

At this time, I would like to have inserted in the record, without objection, two documents: first, a report in December 1977 of remarks which I presented to the Subcommittee on Crime of the House Judiciary Committee outlining the impact of economic policies in existence at that time on crime; and second, excerpts from a report of the Joint Economic Committee of the Congress presented in October 1979 dealing with the social costs of unemployment. Both of these documents anticipated the rising crime rate and the other social costs that would be impacted by administration policies of the previous administration. I think they are significant because they showed the lack of planning that was not then being done by the previous administration and which is continuing under this administration.

[The documents referred to above follow:]

TESTIMONY ON CRIME AND UNEMPLOYMENT PRESENTED TO THE SUBCOMMITTEE ON CRIME, HOUSE OF REPRESENTATIVES BY CONGRESSMAN AUGUSTUS F. HAWKINS, CHAIRMAN, SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES, DECEMBER 1977

I would like to thank Chairman Conyers, and the members of the Subcommittee on Crime, for inviting me to present my thoughts on the serious problems relating to crime and unemployment in our Nation.

There is a continuing dialogue in this country dealing with the question of the relationship between unemployment and crime. Today I will limit my remarks mainly to this major topic. But, at some point my colleagues on this Subcommittee may want to more broadly examine the pathological effects of unemployment and other forms of economic distress which impact on the mental, physical, and social health of this nation.

I believe that there is ample evidence concerning this serious problem, which we need to study in order to formulate intelligent, articulate, comprehensive national economic policy decisions.

Certainly, the role of the Congress and the role of the President in formulating, developing and implementing national economic policy needs to take into consideration—which it has done poorly heretofore—how it can make both the economy and the American people healthier and more vigorous.

My own views on this matter, are especially well known, because of their embodiment in the Humphrey-Hawkins Full Employment Bill (H.R. 50, S. 50) and because I am convinced that this bill addresses the fundamental chink in our national armour. This chink, this flaw in our decisionmaking has historically allowed for no comprehensive national economic policy on employment, thus saddling us with cycles of bust and boom, and a continuing crisis in seeking ways to attain full employment, full production and price stability.

Those scientists in the fields of medicine, psychology and sociology who have examined and analyzed our lack of direction in this regard, have produced a respectable body of evidence which supports my view that unemployment and criminal aggression are inexorably entwined.

Their general thesis can be stated in this way: increases in unemployment, no matter what the causal factors, will be followed by national increases in numerous pathologies impacting on one or more of the following: death rates, heart disease rates, suicide mortality, homicide mortality, mental hospital admission rates, and imprisonment rates.

As an introduction to this subject I would like to share some of their pertinent findings:

Belton M. Fleisher. ("The Economics of Delinquency", 1966;) A study of the relationship between unemployment and delinquency. Found that "The estimated effect of unemployment on delinquency is uniformly positive." Also found that a 1 percent increase in unemployment is associated with, on the average, a 0.15 percent increase in the rate of delinquency.

Colin Frank. (Federal Bureau of Prisons Study March, 1975;) The Frank study notes that: "there is a strong correlation between unemployment increases and the Federal prison population, when a statistical adjustment is made for the 12 to 15 month lapse between the commission of a crime and incarceration." (This direct quote is from the Congressional Research Service Publication, "Crime and Unemployment", December 15, 1975.)

Congressional Research Service Study. (C.R.S. multilith No. 74-95 Ed, April 24, 1974;) Supports findings of Colin Frank's Federal Bureau of Prisons Study: unemployment and prison populations are similar for both Federal and State institutions, when a similar time lapse factor (as in the Frank study) is taken into account.

Marcia Gutentag. ("The Relationship of Unemployment to Crime and Delinquency", 1968;) Gutentag notes that: "Conditions of employment and unemployment play a direct role in population shifts. If we examine conditions of employment throughout the world we will see that depending on the differential effects on population mobility and social change, employment patterns are related to both rises and declines in the rate of delinquency in different countries. It is possible to predict the direction of the effect by following the consequences of the employment pattern on the stability of the population.

"High delinquency rates follow conditions of unemployment, when, for example, job patterns change so that the poor must shift from place to place, often from urban center to urban center, in search of work. The resulting instability and anomie of the poor under these conditions will be reflected in high delinquency rates."

Daniel Glaser and Kent Rice. ("Crime, Age and Employment", 1959;) As reported in The Congressional Research Service's "Crime and Unemployment" publication, this study "shows a definite relationship between unemployment and crime, but Glaser and Rice state that economic factors operate in conjunction with other demographic or social features (e.g., age, occupation, etc.) to affect a change in social deviation."

A projection of these academic views occurred during the severe recession in 1975, when this nation was warned by its elected officials, law enforcement officers, criminologist and sociologists that the worsening economy was going to cause an unprecedented increase in criminal aggression. As quoted in the March 5, 1975 edition of the Corrections Digest here is what some of these leaders had to say:

New Jersey Public Advocate, Stanley Van Ness: "There are always some guys who just aren't going to sit back quietly and starve to death."

Kathryn Kirschbaum, Mayor of Davenport, Iowa: "To Davenport with a relatively low crime rate and a relatively small police force, (the increase in crime) is particularly shocking." Ms. Kirschbaum made this comment because of the "significant" increase in crimes against property in her city.—Glen King, executive director of the International Association of Chiefs: Police departments "generally * * * operate on the premise that the higher the level of economy, the less will be the crime."

In 1975, Patrick V. Murphy, the out-spoken former commissioner of police for New York City, appearing before an ad hoc hearing of the Congressional Black Caucus observed:

"We have allowed unemployment, the principal breeding ground for crime, to climb upward in tandem with the crime rate."

He further noted that: "there can be no significant, long-lasting effort to reduce crime permanently without a major reduction in rates of unemployment, especially among the high crime age group that includes males under 25."

Commenting on this nation's capacity to resolve the issue of crime and unemployment, Mr. Murphy stated:

"If full employment means a decent job at a decent wage for everyone, then full employment is a legitimate approach to controlling crime. A national policy of full employment implies a commitment from society that every citizen has a right to dignity, a job and a living wage. A national policy of full employment implies that society actively seeks to alter the conditions of poverty and degradation that, I reiterate, are among the cause of crime."

In line with these expressed concerns, and a growing body of academic data on the issue, the Joint Economic Committee commissioned the Congressional Research Service (of the Library of Congress) just last year, to examine how changes in income, prices (inflation,) and employment affect the social and human behavior of

American citizens. (This commission was also part of a series of commemorations of the 30th Anniversary of the Employment Act of 1946.)

Under the direction of Dr. Harvey Brenner, of the Johns Hopkins University, the Joint Economic Committee Report, although limited in scope, looked at and evaluated seven indicators of social stress, in order to determine their sensitvity to changes in the three economic variables (just mentioned:) income, prices (inflation,) and employment.

The seven indicators of social stress were: total mortality, homicide, suicide, cardiovascular-renal disease mortality, cirrhosis of the liver mortality, total state imprisonment, and state mental hospital admissions.

These specific indices were chosen because they tended to be the most reliable statistically for current and future studies, and because they covered a reasonable period of time, 1940–73, for their potential use in public policymaking.

Commenting of the need for such a study my great friend Senator Humphrey noted.

"The Federal Government has become relatively adept since World War II at assessing the impact on income, prices, and employment of monetary and fiscal policy. But government policy planners have had essentially no success in shedding light on the next level—on the ensuing effects which changes in income, prices, and employment have on individuals and on society. In effect, they have focused on the technical linkages between fiscal or monetary policy and economic variables like unemployment, they have not evaluated the relationship of these economic variables with individual behavior. Yet, it is precisely the eventual impact of economic policy on individuals which should be the focus of Washington officials, rather than the impact of this policy on the intervening economic variables."

The Joint Economic Committee Report entitled, "Papers No. 5: Estimating The Social Costs of National Economic Policy: Implications For Mental And Physical Health, And Criminal Aggression", says summarily in its Findings:

"The most consistent pattern of relationship between national economic changes and each of the measure of social cost was demonstrated with the unemployment rate. Unemployment plays a statistically significant role in relation to social trauma for each of the indices of social cost and for virtually all ages, both sexes, and for whites and non-whites in the United States."

And in its conclusions, the Report notes:

"Overall, it is evident that significant relationships exist between economic policy and measures of national well-being. This study indicates that actions which influence national economic activity—especially the unemployment rate—have a substantial bearing on physical health, mental health, and criminal aggression."

As much as we might be influenced by the careful gathering of data for this Report, the careful documentation and validiation of these data, and their extensive analysis, there often remains the academic question of whether we can assign a direct cause between unemployment and crime.

I believe we can.

The December 15, 1975 Congressional Research Service of the Library of Congress report "Crime and Unemployment" cautiously states:

"In summary, there does appear to be some statistical relationship between the size of the prison population and the level of unemployment. There may also be some disguised relationship between unemployment and total crime but there have been no recent studies which would corrobrate such a link"

On the other hand New York Times columnist Tom Wicker correlating rising crime with rising unemployment in a three part series called "Jobs and Crime" in May, 1975, graphically observed:

"One point not sufficiently developed in earlier articles is that it is not just unemployment and poverty, but so much unemployment and poverty existing side by side with so much affluence, that may be at the heart of swiftly rising crime rates. If wide-spread affluence is highly visible to the numberous poor and jobless, particularly in the cities, and if those poor and jobless, as argued here, are less and less able to rise by unskilled labor that is no longer in demand in an economy that requires technological or professional skills, it seems reasonable to suppose that the hopeless and embittered underclass that results would turn more frequently to property and violent crimes against the affluent, as well as among themselves."

Mr. Wicker purposely points his finger at the massiveness of joblessness and poverty for some in an era when affluence satiates and drowns other parts of our society.

And when an expert such as our last Attorney General Edward Levi, correlates rising crime with rsising unemployment, I have to respectfully consider what he says.

Unfortunately, a certain timidity in hammering out answers on this issue has forced a know-nothing stance by so many in authority who continue to call for increased security measures, improved policy efficency, stiffer jail sentences, and prison facilities, all which treat symptoms of criminal aggression without getting to the cause of such behavior.

I am certainly not suggesting that a full employment economy—employing all those who would want to work, and who would be able to work—would solve the problem of crime in America, but if we don't move towards a society that outlaws involuntary joblessness—then how are we going to handle 50 percent Black youth unemployment in my district, 50–75 percent in Detroit, and 75 percent black youth unemployment in Oakland. (Detroit officials are even saying that they've lost count, because no one's keeping proper records.)

How are we going to keep a black unemployed youth in Detroit out of criminal society, if he is unemployed at 20, and won't be able to find a job until he's 25 (because there are no jobs available)?

I would like to strongly suggest, as the Joint Economic Committee Report implies, that there is a significant causal relationship between the link that relates to crime and unemployment.

On this point the Joint Economic Committee Report says: " " " a number of studies since the 1950's have found strong relationships between crime indices and lack of employment. Property crimes known to the police, admissions to state prisons on the state and national levels and admissions to federal prisons have been correlated with changes in the unemployment rate. For homicide and other personal crimes, significant positive relations were found with changes in unemployment rates."

And the Report continues:

"A cross-national comparison of the United States (specifically California, Massachusetts, and New York), Canada, England and Wales and Sotland, over the years, 1920–40 and 1947–73, also substantiated the postive relationship between criminal activity and unemployment " " " for all four countries, the homicide rate was examined, as were crimes known to the polices, arrests and trails, and conviction and imprisonment. For the three states within the United States, imprisonment was examined. Significant relationships with the unemployment rate were found within each country, for every measure of criminal activity, and for both personal and property crimes " " ".

Finally, several studies have indicated that unemployment directly influences parole, mandatory release violations, and recidivism " " "

If we assume, as the Joint Economic Committee Report does, that "societal stresses orginate with economic maladjustments which, in turn, can be moderated through national economic policy decisions"—then, we can also assume that there is no need for the kind of unemployment in this nation which is an important breeding place for much of the crime, mental and physical illness, and other related societal dysfunctions.

Forcefully commenting further on the role that economic policy plays in determining the social and physical health of the nation the Joint economic Committee Report notes:

"There is no question that there is an existing and historical relationship between economic policy and health. This study offers statistical support of the thesis that actions influencing national economic activity have a profound, if not central, influence on physical health, mental health, and aggression.

Therefore, to the extent that economic policy influences national economic activity, it has always greatly influenced the nation's social well-being as well. This study indicates that on a day-to-day basis nearly all political and deliberate economic policy decisions which affect the behavior of the national, regional, and local economy may also have a profound effect on many aspects of the nation's well-being. The potential applicability of this material to policy-making is clear. The only question is whether this information will be taken into account when economic policy is formulated.

Traditionally, economic policy has not been formulated on the basis of its objective implications for national health and well-being. Thus it is assumed that high levels of unemployment are undesirable and have untoward implications, but just what the magnitude of those implications is has never been clear.

Thus, the government has a responsbility to ascertain the guantitative implications of its economic policies because: (1) economic policies, deliberately or not, influence much of the nation's health and social behavior, and (2) the government has existing responsibilities to deal with those very problems that are normally impacted by economic policy decisions such as ill health, mental illness and aggression."

We can obviously no longer afford to drift on these issues which continue to tear our country apart.

The continued absence of a forthright, comprehensive economic policy in this nation, is exacting an immense cost in the mental and physical health of our citizens.

Drs. Louis Kopolow and Frank M. Ochberg of the National Institute of Mental Health in Bethesda, Maryland examined this mental and physical health phenomena last year. They noted that among the workers they surveyed there was an increased incidence of mental breakdowns, and agreeing with Dr. Brenner, they noted that "job insecurity, bills, taxes, and the skyrocketing of food prices, and essential commodities * * * are taking their toll on the mental and physical health of the nation."

Their survey further established that unemployment and its accompanying stressful manifestations, resulted in workers exhibiting a diminishing sense of group acceptance, security, prestige and confidence.

Providing further support to Kopolow and Ochberg's findings, is the study of highly stable (unemployed) workers conducted in 1975 by Drs. Hannah Levin (of City University of New York) and Ralph Straetz (of New York University). They expressed the view that:

"Work is the normal way of securing a livelihood. It confirms one's adult status. The lack of work reflects a sense of dependency. If a man cannot fulfill his social role as a worker, wage earner, he loses respect for himself because he cannot meet the expectations and responsibilities of his family, friends and community.

"Lack of work, especially for a male, puts him in a psychological no-man's land. He doesn't feel legitimate anymore—not adult. If maturity is measured by having control over important areas of one's life, how can one feel adult when truly he is the victim of capricious forces. "If work contributes identity, self-esteem, status, meaning and autonomy to person's life, this would lend support to the view that full employment must be the foundation of any primary prevention mental health program. Just as adequate nutrition is necessary for healthy child development, work may be necessary for healthy adult development."

In summary, it seems to me that the wisest and most prudent thing to do would be to implement those things that are morally sound, ethically correct, and intelligently just.

Therefore, I believe legislation, mandating a comprehensive national policy on employment, will help this country solve the negative social costs inherent in mental and physical breakdowns, and in raging, criminal aggression.

We can afford to pass such legislation, because in the long run it will be less expensive to do this, than it will be to build bigger and better hospitals and jails.

We can afford to do this—and more.

We certainly cannot afford to do less.

THE SOCIAL COSTS OF UNEMPLOYMENT

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

NINETY-SIXTH CONGRESS

FIRST SESSION

OCTOBER 31, 1979

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THE SOCIAL COSTS OF UNEMPLOYMENT

WEDNESDAY, OCTOBER 31, 1979

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 210, Cannon House Office Building, Hon. Parren J. Mitchell (member of the committee) presiding.

Present: Representative Mitchell.

Also present: David W. Allen and M. Catherine Miller, professional staff members; Mark Borchelt, administrative assistant; and Mark R. Policinski, minority professional staff member.

OPENING STATEMENT OF REPRESENTATIVE MITCHELL, PRESIDING

Representative MITCHELL. Good morning. The hearing will now come to order.

Today we shall hold hearings to address the issue of the social costs of unemployment. The focus of the hearing will be to identify the physical and mental disorders associated with unemployment variation. We also are looking forward to receiving testimony on the correlation of unemployment and criminal activity. Without the costs of these two elements incorporated in the calculation of unemployment costs, unemployment is grossly understated. At issue is the question of whether pockets of unemployment create an atmosphere that costs society. Are there hidden costs to unemployment?

We have held hearings in this committee to identify the factors that cause unemployment. We have identified and held hearings on education, occupational trends, discrimination, and the sundry factors that are correlated with unemployment. This committee has received testimony relating the costs of these factors to the economy. Today, we shall receive testimony on the costs associated with unemployment.

A study, recently completed by Coopers & Lybrand, indicates that it costs New York City $71.87 per day or approximately $26,000 per year to keep a prisoner locked up. Studies completed by the Congressional Budget Office and the General Accounting Office indicate that it costs between $191 and $241 per day or $78,000 per year to maintain a patient in a hospital. If unemployment is highly correlated with crime, and physical as well as mental health, then we, as a society, are absorbing the real costs of unemployment. We first must be able to identify these factors, and second, we must be able to associate a cost with their existence. The economics of unemployment must be investigated by this committee, not only to find the answer as to why it persists, but to measure the degree of its pervasive existence.

Today we have two distinguished witnesses who have researched

two specific aspects of the social costs of unemployment. Before introducing the witnesses, let me say to all convened here that we anticipate that other members of the Joint Economic Committee will join us. We are facing a very difficult time in the Congress right now. We are trying to move ahead to adjournment day or at least a time when we can begin pro forma session. Almost all of the committees of the Congress and subcommittees of the Congress are meeting simultaneously. Actually, I should be over in the House Banking Committee this morning. We are marking up the solar bank bill which came out of my subcommittee. But that is the situation that we confront here in the Congress and I do hope that others will join us.

In addition, I would like to introduce Bishop Norton, who is visiting from Baltimore City. We are delighted that you can spend some time with us today.

Mr. M. Harvey Brenner, who is a professor in the division of operations research at the Johns Hopkins University, has done research correlating mental and physical pathology and socioeconomic status. Miss Ann Witte, who is an associate professor of economics at the University of North Carolina at Chapel Hill, one of my favorite places, has written extensively on the issues of criminal activity and unemployment. I would request that both witnesses now come up and we will receive your statements. I will issue just one brief caveat. At some period of time this morning the bells will ring. The House is now in session as evidenced by that little light on the clock. We might have a quorum call, move to approve the Journal, or a call to go into a Committee of the Whole. When that call comes, I will just adjourn the hearings for a brief period of time and run over and answer the vote and then come right back.

I mean it quite sincerely when I say that I am grateful that you could come up to testify for us this morning. Maybe the best way of proceeding is to have both witnesses give their statements and then we will launch into some questions, if that's satisfactory with both of you.

Mr. Brenner, please proceed in your own manner.

STATEMENT OF M. HARVEY BRENNER, PROFESSOR, DIVISION OF OPERATIONS RESEARCH AND DEPARTMENT OF BEHAVIORAL SCIENCES, THE JOHNS HOPKINS UNIVERSITY, BALTIMORE, MD.

Mr. BRENNER. Thank you. The prepared statement itself is, if you will, a recently published article "Influence of the Social Environment on Psychopathology: The Historic Perspective," and what I would like to do is review for you what some of the physical appearances of these relationships between changes in the economy, specifically unemployment changes, and physical, mental, criminal, aggression look like.

We have slides prepared for this and it's interesting I think to just take the reproductions through.

Representative MITCHELL. Fine. Just proceed as you so desire.

Mr. BRENNER. The first slide shows the relationship between the suicide mortality rate for the United States from the early 1900's to the early 1970's in relation to changes in employment. The cross-hatched line is the suicide mortality rate and the solid line is the employment index or unemployment index. The reason for the inver-

sion in the slides you will see is that the basic unemployment data for the United States composed by the Economist Labor Guide began with actual unemployment data since the early 1930's and was pushed backward with employment data. Here we have simply converted the entire series to employment data.

So what we can observe is the fluctuation in suicide mortality in this graph in conjunction with changes in employment. At each point in the curve, at each cyclical move in employment, we see the inverse movement in the suicide rate and it's highly stable and predictable relationship observed in a number of different countries and at different points in time, and is one of the standard indicators of the relationship between symptoms of stress, mental pathology, and employment changes. [Slide.]

Next we have the relationship between changes in the homicide rate for 1910 through 1970 matched with the same economic indicator. The employment rate, again a very clear inverse match, at zero lag, which means that for both suicide and homicide the increases have tended to occur within 1 year of the increase of unemployment. I'm sorry, let me take that back just one more moment. The data here are for the homicide mortality of whites in the age group 25 to 29. This is simply an example of the relationship for this particular age group and racial group is very similar for the two major racial groups in this country, and throughout the age spectrum from infants to the elderly, but it's particularly pronounced in youth 15 to 24 and in the 25 to 34 range, this particular relationship, a very stable relationship. [Slide.]

This is the circulatory system mortality rate. It represents something between 60 and 70 percent of all mortality in the United States. This particular graph is for nonwhites in the age group 35 to 39 which is relatively young for mortality to be due to circulatory system disease. There's a lag of approximately 3 years to the peak of mortality for this group of people in relation to fluctuations in unemployment with the downturn in employment occurring approximately 2 to 3 years earlier than the mortality rate.

This particular graph represents a bit of an averaging effect because the true mortality rate extends much beyond 3 years for males and females in our country and other industrialized countries, but the peak of the relationship tends to occur at about 2 to 3 years after the downturn. [Slide.]

Here's circulatory system disease mortality for males and females of middle age, 40 to 44, looking at the opposite movements in unemployment 3 years later. [Slide.]

This is the beginning of a series on the infant mortality rate as it had been viewed up to around 1965 with the imagination that there had been a very steady downtrend. [Slide.]

With the removal of that downtrend and its observation of a matching with changes in employment, we see again the identical inverse relationship to the infant mortality rate as we do to cardiovascular mortality, to suicide, to homicide, and many other causes of death. [Slide.]

This is another view of that looking at 3-year changes in employment matched with the inverse, in this case infant mortality under 1 day, which is the most important source of infant mortality in our country and most industrialized countries. [Slide.]

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This is an engineer's analysis of the same relationship looking at wavelike movements in employment of roughly 2 to 4 years, showing more precisely the lag in the relationship. It is approximately 1 year in the case of infant mortality. [Slide.]

Here we are looking at the older ages. This is the entire mortality rate for the population of the United States, at 55 to 64 years. There's normally a long downtrend associated with that mortality which cannot be seen in these graphs because they have been controlled, and what you are seeing is the residual variation in the mortality rate in these age groups matched inversely in this case again with a lag of 2 years to changes in employment. [Slide.]

This is a smaller change movement in the employment rate as related to the same mortality rate in the 55 to 64 range for the U.S. population with a lag of about 3 years. [Slide.]

The age group 65 to 74 with a lag of 2 years. [Slide.]

Continuing with that relationship and breaking the relationship down very finely to look at 3 year changes in it with the same obesrved relationship. [Slide.]

The age group 75 to 84 years, with again the same relationship, this time very easy to see with the naked eye with the lag again of 2 years of this elderly group or more nearly elderly group. [Slide.]

And finally, the group 85 and over also respond to the same depressed economic conditions and there's more likelihood of their families rather than themselves responding to changes in employment. [Slide.]

Here we have for the U.S. State prisoners received for the years 1925 or so through 1950, which is when we ceased in the United States to have national data on an imprisonment by crime. This is what the picture looks like for burglary, again high inverse, at zero lag; that means during the same year for a decline in employment. [Slide.]

Robbery, in this graph, with the same relationship. [Slide.]

This is looking at robbery for a State, the State of Massachusetts, which gives us data into the 1970 period with the same observed graphic relationships. [Slide.]

And this is larceny for the same State over the same period matched with employment. [Slide.]

This is mental hospitalization for the United States as a whole looking at different ages, from the upper left under 15 through the upper right 15 to 24 years of age. In the middle, 25 to 34, 35 to 44, 45 to 54, and finally 55 to 64, all the same inverse relationship at zero lag. [Slide.]

This is going to be a little harder to read from where you are sitting so I'll describe it. It is a table prepared for the first study I did for the Joint Economic Committee published in 1976 which gave the equations whereby the relationship was computed between these sources of mortality and mental hospitalization and imprisonment in the United States.

Keeping in mind per capita income changes, employment changes and inflation changes and other controls, the significance of this chart is simply that we can reasonably well estimate from these equations how such factors as unemployment relate rather specifically to the sources of morbidity and mortality holding constant other factors. [Slide.]

This chart is also taken from the earlier Joint Economic Committee report and indicates for the years roughly 1940 to 1973 the percentage change in each of these types of pathology for 1-percent increase in

the unemployment rate. For suicide, for example, it was 4.1; for State mental hospital admissions altogether, 3.4 percent; for State prison admissions a 1-percent increase in unemployment would be an equivalent 4-percent increase in imprisonment; for homicide, it's 5.7 percent; for cirrhosis of the liver it's 2 percent; for cardiovascular renal disease mortality, around 2 percent; and for total mortality for the Nation as a whole, around 2 percent.

Representative MITCHELL. Ordinarily I don't do this but I'm afraid I might forget it. Is the correlation fairly constant between all categories? For example, the correlation between suicide and unemployment, does it correspond roughly to the suicide rate across the board?

Mr. BRENNER. I don't know whether I have understood you, but let me try to answer.

Representative MITCHELL. It's kind of rough for me to see.

Mr. BRENNER. I know it's distant from the viewer. During the period 1940 through 1973—1973 was the last year for which data were available for mortality patterns for the country. During the period 1940 through 1973, according to the equations we saw earlier and controlling for inflation and changes in income and other relevant variables, with a 1-percent hypothetical increase in unemployment, we would have, let us say, a 4.1-percent increase in the suicide rate. Those figures are also given in the article. There's a table, suicide, in this case, which occurs at the middle of the chart in your last column, your right-most column, occurs as a 4.1-percent increase. I'm sorry. Have I answered you correctly?

Representative MITCHELL. Yes, because I picked it up on another table. When I looked at your levels of significance on table 4 it pretty much answers the question that I was asking.

Mr. BRENNER. Yes. These are statistically significant relations throughout the period.

Representative MITCHELL. And they remain fairly constant with each category?

Mr. BRENNER. That is correct. This is the result of that general study. The Joint Economic Committee economists subsequently went on to attempt to compute dollar costs for hospitalization, morbidity, loss of productivity, imprisonment—the kinds of numbers that you were giving earlier as you introduced the session, Congressman Mitchell. [Slide.]

And as a result of that effort, they were able to compute for each of the major categories the total cost for a 1.4-percent increase—the 1.4 percent which for instance occurred during 1970 would hypothetically be equivalent in those terms to something on the order of $6.6 billion in costs if we were to evaluate that in dollar cost terms.

There are many, however, who object to this latter kind of analysis to attempt to put these in dollar terms, not only for the types of changes that have occurred in the relative expenditures in these areas but because there's something not quite humane about dealing with the social costs in simple dollar values. [Slide.]

This is the last thing I'll show. It is some of the more recent work I have been involved in. Looking specifically at youth unemployment, this is the simple computed difference chart between the youth and total unemployment rates. We can see that relative to the total unemployment rate the youth unemployment rate has climbed at a fairly steady pace, almost linearly, since prior to 1950, since World War II. [Slide.]

The next chart shows the ratio of youth unemployment to total unemployment from 1947 to 1976. We have found within the last several months that it is this particular ratio, the ratio of youth to total unemployment that is most—as unemployment measurements—most severely involved in the great variety of aggression and crime statistics. [Slide.]

Again, you will not be able to see this because it turns out to be too small on the chart, but what we have here are a series of equations for sources of mortality pertaining particularly to youth suicide, homicide, automobile accident mortality, in which this ratio of youth to total unemployment plays a highly significant part. So that we can apply the same kind of statistical measures that you saw in evaluating the impact of unemployment, particularly in this instance for youth, to the criminal justice measures. [Slide.]

This is an equivalent chart to the one you saw earlier relating a 1-percent change—in this case to a 1-percent change in the ratio of youth to total unemployment—to a variety of sources of aggression and criminal activity that particularly pertain to youth mortality—in the homicide area, the motor vehicle accident area, and suicide areas, for personal injury, including assault, homicide, forced rape, and a variety of crimes to persons. All sources of data that are pertinent to this problem we used ranging from crimes known to police to arrest rates to actual mortality data with statistics with very much the same kind of results.

For instance, the arrest rate for assault for the United States over the period 1947 to 1976 for the age group 15 to 19 has tended to increase by 6.7 percent with a 1-percent increase in the youth to total unemployment ratio. For 20- to 24-year-olds, it's a little higher. It's 7.24 percent. For criminal homicide, it's considerably higher for that. For the 15- to 19-year-olds, the increase in criminal homicide is 12.2 percent; for 20- to 24-year-olds, it's 17.2 percent. That is the general range of the types of findings that on a national statistical basis we tend to observe. [Slide.]

This is a picture of the attempt to predict in this case the nonwhite male juvenile homicide mortality rate using a multivaried predictor which includes the youth to total unemployment rate ratio. The black line is the actual juvenile homicide mortality rate and the dotted line is our expected rate based on the equation. [Slide.]

The same kind of approach here for the rate of crimes known, in this case the crime of robbery, where the predictor is our overall model, and the key variable is the youth to total unemployment rate. [Slide.]

The same for auto theft.

That is the end of the slides. The point of viewing the material in this way rather than simply looking at the numbers is one that I believe gets something of a sense of the reality of the actual movements of these data through time coincident with changes in the economy, particularly with those bearing on the issue of unemployment.

As a very last point, in answer to questions that you put to me in your letter of October 23 asking specifically whether these kinds of data could be disaggregated to reflect age, region and further nonwhite racial breakdowns, the answer is certainly "Yes." It's simply a matter of conducting such a study. One could do this by States or regions of the United States, by city of any size or type, by white, nonwhite

breakdowns, or within a nonwhite category black versus oriental. These data are available certainly for mortality, for criminal justice data in most instances, especially for arrests and for mortality we have them for white and nonwhite breakdowns. So such studies could certainly be done. That would be particularly relevant to the last portion of the testimony in the form of this article which contains an updated model of the one that I used in the earlier testimony and report for the Joint Economic Committee which includes one other major factor which is rapid economic growth, which for many of these indicators of pathology has turned out to be a rather damaging source of stress condition of unemployment, inflation, and rather beneficial features for the long-term economic growth. Thank you.

[The prepared statement of Mr. Brenner, entitled "Influence of the Social Environment on Psychopathology: The Historic Perspective," follows:]

Prepared Statement of Ann Dryden Witte

• *Unemployment and Crime: Insights From Research on Individuals*

Most research on the relationship between unemployment and crime, such as Professor Brenner's, has used data for jurisdictions (e.g., cities, states, nations) rather than data for individuals. (Such data is referred to as aggregate data since its observations are obtained by the aggregation of data for individuals in the jurisdiction.) Yet, the theory and intuition which lead us to believe that unemployment and crime are related is based on beliefs about the way in which individuals behave. Research using aggregate data is only able to provide reliable insights about individual behavior if certain restrictive assumptions hold. In practice, the assumptions necessary to make inferences concerning individual behavior from aggregate data rarely hold. Thus, in order to truly test our theories concerning the way in which unemployment affects an individual's tendency to commit crimes, we must use individual data.

To date, there are two distinct types of research which can provide insight into the way in which unemployment affects an individual's criminality. The first type of research has been mainly theoretical and has been concerned with the nature of labor markets for individuals committing crimes and with the way in which labor markets affects criminality. This type of research is reviewed in Section 1 and 2 below. The second type of research, surveyed in Section 3, has been largely atheoretical and is designed to evaluate programs to improve the labor market performance of criminals. After surveying each type of research we will, in Section 4, combine insights from both and assess what we know about the relationship between unemployment and crime from studies which use individual data.

1. THE NATURE OF LABOR MARKETS FOR THOSE CONVICTED OF CRIMES

Our knowledge of the nature of labor markets for these who commit crimes comes mainly from research on the labor market performance of prison releasee, generally parolees. The labor market performance of Federal parolees (Glaser, 1964; Pownall, 1969), Massachusetts parolees (Evans, 1966, 1968; Cook, 1973, 1975) Michigan parolees (Hardin, 1975 and Borus, Hardin and Terry, 1976), North Carolina prison releasees (paroled and unconditionally released) (Witte, 1975; Witte, 1976; Witte and Reid, 1980), Wisconsin parolees (Feyerherm, 1976) and Canadian releasses (Waller, 1974) have been studied in detail.

The situation of a correctional releasee immediately after release depends on the nature of his/her correctional experience, the type of release (supervised or unsupervised) and the availability of family and community services. Probationers and releasees from community correctional facilities generally have established labor market ties (if they ever will) and are relatively well prepared to cope with freedom as their activities have generally not been greatly constrained by their correctional experience. Parolees generally have a job prior to release as having a job is often a prior condition to parole. Generally, the jobs obtained by parolees are of a low wage, low skill nature and paroleus often experience substantial job instability as they seek to improve their labor market position. The labor market position of unconditional releasees from prison and jails is perhaps most difficult although the establishment of work release, prison industries that pay wages and pre-release programs has eased their plight in some areas. Such individuals have few resources other than gate money,[1] and are, thus, usually forced to accept the first job offered.

Existing evidence seems to indicate that employment for correctional releasees depends on the conditions in local labor markets. Evidence surveyed by Cook and Witte seems to indicate that prison releasees have little trouble finding jobs although the jobs found are usually rather dismal. However, Feyerherm's study of a cohort of Wisconsin parolees during the 1974 recession found that only half of the releasees studied were able to find full-time employment within a month of release.

Most studies find unemployment rates for prison releasees which greatly exceed those for comparable population groups. However these studies generally find, in

[1] Glaser (1964, p. 319) found that 85 percent of his sample of Federal releases had no external savings and the median savings of the remaining 15 percent was $433. Pownall (1969, p. 182) found the median amount of cash possessed by men in his post-release survey was only $50. Individuals who have been on work release are often considerably better off. Men in Witte's work release sample had savings from the work release jobs which averaged over $400 on release (Witte, 1976, p. 36).

contrast to Feyerherm, that unemployment does not usually result from an inability to find a job, but rather from short periods of leisure, job search and illegal activity between frequent job changes.

Jobs obtained by prison releasees are generally low skilled and often transient in nature. Witte found the jobs on release of 54 percent of the North Carolina releasees studied to be classified in the three lowest skill categories of the U.S. Department of Labor's occupational classifications. Even an average three years after release, 39 percent of these prison releasees still occupied jobs that were so classified. As a result, at least partially, of low skill, employment tends to be concentrated in large manufacturing industries employing mainly unskilled or semi-skilled labor (textiles in North Carolina, metal working in Wisconsin), in services industries and construction. When the jobs of prison releasees require skills, they usually require mechanical skills rather than skills related to data or people. Common occupations are manufacturing operative, craftsman (e.g. painters, cement finishers) and non-farm laborer.

Earnings on release tend to be low relative to comparable population groups. Pownall found his Federal releasees to earn only approximately half the median income of the population as a whole and Feyerherm's releasees earned only approximately 65 percent of the average weekly wage of production workers in Wisconsin. Witte found that even approximately three years after release, the North Carolina releasees she studied earned a mean annual income only 70 percent of that earned by all adult males in a similar geographic area. However, these releasees earned substantially above (2¼ times) the mean income of those below the poverty line. Interestingly, the only two studies which include unconditional releasees as well as parolees (Waller, 1974 and Witte and Reid, 1980), find that parolees have significantly lower wages than do unconditional releasees. This would seem to indicate the desireability of reorienting traditional supervisory activities (e.g., probation and parole) toward labor market improvement. At the least, supervision should not be allowed to depress labor market performance.

As noted above, all studies find marked instability of employment among prison releasees. Cook found the Massachusetts releasee in his sample to, on the average, have a new job every three months. Pownall found that his Federal releasees remained on their first job a median period of only 4.1 months and on their last job only slightly longer, 5.2 months. Using a longer follow-up period (average 37 months), Witte found median job tenure of 10 months. In general the available evidence seems to indicate that this labor market instability is chosen, as most job terminations are voluntary.

Considering the previous descriptive work as a whole, one might paint the following picture of the labor market performance of the typical prison releasee. On or shortly after release (within two to three weeks), the releasee generally obtains a low skill, low paying job as a manufacturing operative or nonfarm laborer which (s)he maintains for only a short period (3 to 4 months). Through time, the jobs of releasees improve only moderately in terms of pay and skill level. The releasee's employment pattern is generally that of frequent job changes with short periods of unemployment between jobs. For many releasees (approximately one-third), labor market activity is also frequently interrupted by periods of imprisonment. The low skills and unstable work patterns of prison releasees mean that they generally earn substantially less than comparable general population groups. However, their annual incomes are substantially above those of individuals below the poverty line.

A number of studies (Cook, 1973; Hardin, 1975; Borus Hardin and Terry, 1976; Witte and Reid, 1980) have explored the determinants of labor market performance of prison releasees. These studies have found that labor market performance is most affected by the race and sex of the individual, by familial responsibilities, by the nature of the individuals previous work experience and current job, and in some cases by the type of correctional program in which an individual had participated. The negative findings of these studies are at least as important as the positive ones. Perhaps, the most interesting of these negative findings are that previous criminal record generally has no effect on labor market performance and that an individual's level of education affects neither earnings nor other measures of labor market performance. The findings of these studies suggest both policies which are potentially effective in improving labor market performance and policies which are likely not to be effective. Specifically, the results indicate that, on the positive side, programs designed to provide stable job records and to provide full time, regular employment in high wage, high skill industries and occupations are likely to be effective in improving labor market

performance. Further, it appears that some type of graduated release may lead to better performance. On the negative side, the results raise considerable doubts about the effectiveness of traditional supervisory programs (parole) and programs designed to improve general educational attainment.

2. THE RELATIONSHIP BETWEEN EMPLOYMENT AND CRIME FOR INDIVIDUALS

To date, there have been few attempts to explore directly the relationship between unemployment and other measures of labor market performance and crime using individual date. Cook (1975) provides a survey of early work and Sickles, Schmidt and Witte (1979) and Witte (1980) are examples of more recent work. I have continued to work with individual data to explore the relationship between labor market performance and crime and the following conclusions are based on this additional work as well as work that is currently available. This work provides consistent but weak support for the expected inverse relationship between wage and crime and weak, if any support, for the expected relationship between unemployment and crime. To date the strongest relationship between labor market performance and crime which has been found is that between employment stability (a measure of employment satisfaction) and crime.

As a whole these results seem to indicate that it is not so much individual unemployment per se which causes crime, but rather the failure to find relatively high wage satisfying employment. From this individual work it appears that increases in unemployment and the general recession in economic activity usually associated with such increases may not greatly affect the level of crime directly, but may do so indirectly by decreasing the availability of desirable employment opportunities.

A number of sociologists and radical economists have suggested that the labor markets in our economy are becoming increasingly segmented. Desirable jobs (primary sector job) with high wages, good benefits, employment stability, and advancement opportunities are only open to the well trained, conforming members of our society like those of us attending these hearings. For the less well educated, non-conforming individuals who commit most crimes only transitory, dead end jobs in "secondary labor markets" are available. These jobs provide relatively low income, fail to provide skill training or advancement opportunities and generally breed frustration and/or boredom.

The cyclical nature of economic activity during the 1970's has caused many large firms to provide fewer primary jobs than would have been the case in earlier periods. Fearing fluctuations in demand and the difficulties (e.g., bad publicity, benefit payments) involved in terminating permanent employees, these firms meet increased demand in periods of prosperity by hiring temporary employees and sending work out to relatively small vendors. When demand falls back, it is quite easy to terminate temporary employees and decrease the amount of work sent out to vendors. While this type of decision making is quite rational from the point of view of the businesses involved, it means that fewer desirable jobs are generated by high levels of economic activity than would otherwise be the case. Given the research surveyed above, it may be this aspect of highly cyclical economic activity rather than unemployment per se which is associated with increased criminality.

Recent work by the Vera Institute (Sviridoff and Thompson, 1979) and Rand (Petersilia, et al., 1977) have also indicated that the relationship between unemployment and crime is far more complex than indicated by the statement "unemployment causes crime". This research suggests that the nature of the relationship between unemployment and crime depends on the type of crime and type of individual involved. Sviridoff and Thompson identify four distinct types of relationships between unemployment and crime. First, some types of crime (white collar crime, employee theft) require jobs in order to be possible. For these types of crime, one would expect a decrease rather than an increase as unemployment rises. Second, some offenders mix employment and crime. These individuals either "moonlight" in criminal activities or use their legitimate job as a front (e.g., fences, drug dealers). For this group like the first employment and crime go hand in hand. For individuals moonlighting in crime, unemployment may increase criminal activity as predicted by our simple models; however, for those using legitimate employment as a front, unemployment may make criminal activity more difficult and may lead to decreased rather than increased illegal activity. Third, some offenders, particularly younger offenders, appear to alternate between employment and crime. For these individuals unemployment or dropping out of the labor force generally indicates a switch from legal to illegal income generating employment rather than unemployment as we normally perceive it. For individ-

uals in this group, we would expect either a rise in unemployment or a drop in labor force participation to be associated with increased criminal activity. It appears that it is for this group that our simple model, "unemployment causes crime", is most relevant.

Finally, there appears to be a small group (5 to 10 percent of property offenders) that are firmly committed to crime as their primary means of support. For this group, enemployment or non-participation in the labor market is a way of life. We would expect no relationship between unemployment and crime for this group. Note that we only expect decreased employment to be associated with decreased criminal activity for individuals in group three discussed above and some individuals in group two. However, one might well expect a direct relationship between the quality of job and decreased criminal activity for some member of all of the first three groups. This may provide at least a partial explanation for the stronger relationship found between job quality and crime than between unemployment and crime at the individual level.

8. INSIGHTS FROM THE PROGRAM EVALUATION LITERATURE

Numerous programs have been developed which are designed to improve an individual's economic viability. These programs are usually based, at least implicitly, on the assumption that improved economic viability will lower criminal activity. Careful evaluation of programs of this type give insight into the relationship between economic viability and crime as well as suggesting particular programs which are likely to be effective in lowering criminal activity. As a whole, the results of employment related program evaluations provide only weak support for our simple model, "unemployment causes crime." However, these programs provide somewhat more support for satisfying employment experiences and economic viability being associated with decreased criminal activity.

Evaluations of pretrial intervention projects which provide employment oriented assistance find that such programs are more effective for adults than juveniles and that they decrease criminality in the short, but not the long run (Rovner-Pieczenik, 1970; Taggart, 1972). Evaluations of vocational training and remedial education projects in prison, parole, or probation settings have almost uniformly found that such programs have insignificant effects on both labor market performance and criminality. Evaluations of work programs in prison (e.g. work release, prison industries) have had mixed results. These evaluations generally show that such programs reduce the cost of running a prison system (see Cooper, 1968; National Institute of Law Enforcement and Criminal Justice, 1978a and 1978b) but have reached conflicting conclusions regarding the effect of such programs on Criminal activity. On the one hand, evaluations of California's and North Carolina's work release programs indicate that work releasees commit either less crime or less serious crime when released from prison than do releasees who do not participate in the program. On the other, evaluations of Massachusetts' and Florida's work release programs show no beneficial effects. We could learn much from a thorough evaluation of why some work release programs appear to reduce criminal activity while others do not.

In the early 1970's two new programs, transitional aid and supported work, aimed at improving the economic viability of released offenders in the community were implemented and produced promising results. The transitional aid program, begun in Baltimore in October, 1977 by a nonprofit research organization provided financial aid and job placement services to offenders in the period immediately following their release from prison. This program called LIFE (Living Insurance for Ex-Prisoners) carefully selected a pool of "high risk" non-addicted, property offenders from Maryland Corrections Department releasees returning to the Baltimore area. An evaluation of the effects of the program indicated: (1) individuals receiving only job placement services had neither better employment records nor criminal records than those who received no services, and (2) that those receiving financial aid had no better employment records, but did have significantly fewer arrests for property crimes. A benefit-cost analysis (Mallar and Thornton, 1978) indicated that we as a society were better off having made payments to the releasees that not having done so: the social benefits of the LIFE program exceeded its social cost.

The supported work program, begun in New York City in 1972 by the Vera Institute of justice, provided subsidized employment in a "low stress" environment for ex-addicts meeting certain requirements. In the support work program, the "treatment" is work itself in a supportive environment that features graduated stress, peer support and close supervision. The program also features special

challenges, for example, offering cash bonuses or "psychic rewards" for good performance, in an attempt to wean participants for old habits inappropriate to work life.[3] An interim evaluation of the program effects indicated that individuals who participated in the program earned more, required fewer welfare benefits, and were arrested less often than controls. Further, as was the case for transitional aid, a benefit cost analysis indicated that the social benefits emanating from the program substantially exceeded social costs. (See Friedman, 1977 for additional details).

Due partially to the above favorable evaluations, but probably due more to the attractiveness of economic approaches to crime to an increasingly conservative national mood, both the transitional aid and supported work programs were rapidly expanded. Fortunately, these expansions were subject to careful experimental evaluation and at least partial results are currently available. Unsurprisingly, the nature of both programs were substantially modified during expansion. We will discuss each expanded program in turn and the evaluation results currently available.

The transition aid program, renamed TARP (Transitional Aid Research Project), was operated in Georgia and Texas by the State Department of Corrections and Employment Security Offices and made available to individuals released from jail and prison between January and July 1976. This program made transitional aid payments available to all Department of Corrections releasees returning to areas with Employment Service Offices (mainly urban areas) and to selected groups of those returning to areas of the state without such offices. There are a large number of differences between LIFE and TARP; two are particularly important. First, while under the LIFE program, employment and legal earnings merely deferred payments, under the TARP program, employment and legal earning actually decreased payments. Thus, while the LIFE program gave few if any work disincentives, the TARP program provided often large incentives not to work. Second, TARP payments were given to all eligible releasees while LIFE payments were given only to non-addicted, property offenders. Evaluation results indicate no significant differences in criminality between individuals receiving transitional aid payments and those who did not. Further, individuals receiving transitional aid were found to work less and earn lower incomes than individuals who received no aid. This latter effect is probably the result of the work disincentive in the TARP program noted above. When the work disincentive effect of transitional aid payments is controlled, evaluation results indicate that releasees in Texas, but not Georgia, who received transitional aid payments had significantly fewer property arrests than individuals who received no such payments. (See Rossi, Berk and Lenihan, 1980 for additional details.)

The supported work program was expanded originally to thirteen cities and to include three target groups in addition to ex-addicts: (1) women who had received AFDC welfare payments for substantial periods of time, (2) prison and jail releasees, and (3) young school drop outs. The program was administered by diverse groups in the various location ranging from governmental bodies to non-profit community groups. While the exact program and nature of job available varied from location to location, the new programs were quite similar to the original. Results for the first eighteen months of the expanded program are currently available (Maynard et al. 1979). For ex-offenders they indicate significantly improved labor market performance only during program participation although significant welfare payment decreases continue even after ex-offenders leave the program. There is no significant decrease in reported criminal activity for ex-offenders either while they are in the program of after termination. However, ex-addicts participants do significantly decrease their criminal activity. These results are disappointing for ex-offender but support the original results for ex-addicts. Final judgment must await final results which will only be available later. Some additional support for providing supported work environments comes from a recent evaluation of the job corps (Mallar, 1979). The evaluation found significant decreases in arrests for corpsmen after program completion.

Taken as a whole the program evaluation literature supports conclusions similar to the more theoretical literature surveyed in Sections 1 and 2. Unemployment per se only appears to be weakly related to criminal activity. However, rewarding work experiences and economic viability appear to be more strongly associated with decreased criminal activity.

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[3] This description was given by personnel of the Vera Institute of Justice who ran the original supported work program.

4. WHAT DO WE KNOW ABOUT THE RELATIONSHIP BETWEEN EMPLOYMENT AND CRIME FROM STUDIES OF INDIVIDUALS?

The literature surveyed above is highly diverse and as a whole provides only weak support for our simple model: "unemployment causes crime." Rather, this literature indicates that if we are to understand the relationship between employment and crime we must narrow our perspective in some ways and broaden it in others. First, we must broaden our perspective in the sense that we must consider the whole issue of economic viability, rather than just employment per se. In addition, we must consider the quality of job as well as simply whether an individual is employed. Second, we must narrow our perspective in the sense that the nature of the relationship between employment and crime varies with the type of offender and type of offense under consideration. Unemployment may lead to violent crimes simply because unemployment allows more time for interpersonal contact in non-structured environments, and often causes greater family stress. Unemployment may lead to less white collar crime and employee theft because of lack of opportunity, but to more traditional (e.g., larceny, robbery) property crime and other illegal activities (e.g., gambling, drug sales) as individuals substitute illegal for legal employment.

Individual research provides more support for the potential effectiveness in reducing crime of either providing economic viability directly (e.g., cash payments) or providing rewarding work experiences (e.g., supported work, desirable jobs) than for simply reducing the unemployment rate. However, the relatively wide cyclical economic swings which we have experienced during the 1970's may be at least partially responsible for the failure of more criminals and potential criminals to obtain desirable jobs. Thus, it appears from the research to date that unemployment may increase crime both directly and indirectly. Individual research to date indicates that the direct effect of unemployment on crime may be quite small and limited to that relatively small group of individuals who alternate between legal and illegal employment. However, this individual research also indicates that the indirect effect of highly cyclical economic activity may be much greater. Such cyclical economic conditions appear to decrease the number of desirable jobs which our economy provides. From existing research, it appears that it is possession of such desirable jobs that has a major effect on an individual's criminality not simply employment per se.

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Mr. HAWKINS. Ms. Baum, do you have any comments to make?

Ms. BAUM. No, thank you, Mr. Chairman.

Mr. HAWKINS. The first witness before the subcommittee today is Mr. Jesse Brewer, deputy chief, Los Angeles Police Department.

Chief Brewer, it is with personal satisfaction that I welcome you as the first witness today. We are fully aware of your distinguished career in law enforcement and I am sure Mr. Washington, from whose city you migrated sometime ago, is delighted also to renew acquaintanceship with you.

I wish to commend you on the recent appointment to this important post in law enforcement in Los Angeles. I have yet to hear one individual, either in the community or in the law enforcement field, who was not gratified by your promotion to this particular position.

While we rely heavily on the law enforcement community and look forward to your contribution in this particular field, I realize that we have to assist also. I certainly want to pledge to you the full cooperation and assistance of this subcommittee in terms of trying to make your job a little easier, if that is possible. We handle perhaps as many complaints as you probably do, and certainly we join with you in a partnership in trying to do constructive things in order to eliminate the rising crime rate that seems to afflict our local community and numerous communities across this country.

STATEMENT OF JESSE BREWER, DEPUTY CHIEF, LOS ANGELES POLICE DEPARTMENT

Mr. BREWER. Thank you very much, Mr. Chairman.

Congressman Hawkins, Congressman Washington, and Congressman Peyser, I thank you for the opportunity to appear before you this morning. I want to give you my responsibility on the Los Angeles Police Department first.

The city of Los Angeles is divided into four geographical bureaus—Valley, West, Central, and South. Each of those bureaus is responsible for all law enforcement operations within that particular bureau. I am the commanding officer of the South Bureau. My bureau falls primarily south of the Santa Monica Freeway and it is divided into four geographic areas—Southeast, Southwest, 77th, and Harbor.

We also have a traffic division which operates out of Harbor, but it covers the entire South Bureau.

My purpose today is not to show that the unemployed are more prone toward criminality, hence the high crime rate in the inner city. Rather, my goal is to show some correlation between an increasing crime rate and an increase in the unemployment rate. My frame of reference will be local—the city of Los Angeles—its problems of increasing crime and an unemployment rate nearly as chronic as the national problem.

I have been a resident of this city for almost 30 years and have observed first hand the early growth and subsequent deterioration of many business establishments located in its economically deprived areas. I have vivid memories of thriving business establishments in the areas of Slauson-Vermont, Broadway-Manchester, Vermont-Manchester, Santa Barbara-Crenshaw, and Florence-Ver-

mont. Today, the blight and deterioration of these areas are evident, even to the nonresident casual observer. Business failures are obvious. The decline of shoppers to support those businesses is evident.

These shopping centers have been displaced by the growth of modern suburban shopping malls where commodities are more reasonably priced and shopping is carried on in a more secure atmosphere. I believe this flight to suburbia and the resulting business failures are at least partially attributable to the growing crime problem in these areas—problems which have created increasing business costs in terms of insurance and security measures.

This crime problem I am referring to is occurring in that area of the city located south of the Santa Monica Freeway where the crime rate perennially exceeds that of the total city. For example, citywide in 1980 compared to 1979, the violent crimes of homicide, robbery and aggravated assault increased by 18, 20, and 12 percent respectively. These same crimes in South Central Los Angeles increased by 31, 24, and 26 percent respectively in 1980 compared to 1979.

I think the domino effect of crime on unemployment in the economically deprived areas of the city is a reality. Increasing crime has a direct relationship on increasing business operating costs. These costs in turn contribute to the failure and closure of individual business establishments. Business failures in those areas reduce job availability of area residents, many of whom work where they live.

As a consequence, residents must seek employment in other areas of the city, which creates a separate problem for most—transportation. Few of these people have adequate private transportation, and the public system offers little assistance in reaching potential areas of employment in suburbia.

What is the result of this dilemma? Massive unemployment in the lower socioeconomic areas of the city.

I have seen the reality of this phenomenon in my 29 years in law enforcement in this city. Throughout the years, I have witnessed the growing numbers of the unemployed loitering and wandering aimlessly about the streets, particularly in those same economic areas. In my view, these numbers have increased in recent years in the city of Los Angeles, much as the crime rate and gang related activity have shown an increase.

For example, the 1980 annual unemployment average [7.4 percent] for the city increased 1.2 percent over the 1979 figure of 6.2 percent. Although I have no substantiating evidence, it is generally conceded by some that the unemployment rate in South Central Los Angeles is three to four times higher than that of Los Angeles County, which as of July 1981 was 7 percent. It is my personal belief, although no supporting evidence exists to my knowledge, that the lack of jobs contributes to the gang related violence in the lower economic areas of the city. I feel very personally that some kind of activity, positive and productive, would divert these young people away from that gang violence.

In summary, I believe my original premise is supported by the crime and unemployment statistics previously given and by nearly 30 years of personal observations of the changing demographic and

economic conditions within the city. I do not believe the reverse premise would come true—that a reduction in crime would necessarily be followed by a decreasing unemployment rate. The problems of crime and unemployment are too complex for such a simplistic solution. I only hope that I have succeeded in motivating the members of this subcommittee toward a unified effort on a national level to solve these paralyzing social ills.

That is the end of my statement. If you have any questions, I would be happy to respond to them.

Mr. HAWKINS. Thank you, Chief Brewer.

The subcommittee is seriously concerned, as you well know, with the impact of budget cuts in various programs—housing, health, job training, and so on, and how this may increase criminal activity, among other social disorders.

We are fully aware, as I think Mr. Peyser just indicated, of the impact of the cutback in CETA on the youth program here in the Museum of Science and Industry, just to cite one such example.

Assuming that these cuts, which will become effective in October, are felt within the community of Los Angeles—that is, that many of the social agencies, such as the community health facilities, the juvenile delinquency program, other such programs dealing with gang violence, and the various programs within the city schools that also deal with the problem—would you anticipate that there may be an adverse impact on the question of law enforcement, that this will in some way impact on the ability of the police department to deal with the serious crimes that are ordinarily committed, or even the street muggings and petty robberies and the other activities identified with the gang activity?

Mr. BREWER. Yes, Mr. Chairman, I believe it will have an adverse impact upon law enforcement. As you probably know, the department itself has been cut back because of the cuts in the city's operating budget. So, therefore, we are really operating under strength of what we think will be an adequate number of police officers on the street to create a deterrent to some of the criminal activity that takes place.

But more importantly, I think that young people, if they are working and if they are involved in programs that take them off the streets and which keep them focused and directed toward making something of themselves to give them some self-respect, I think that as long as we keep them involved in those kinds of pursuits, just that in itself will be a detriment to the kind of criminal activity we see today.

Most of the young people who are involved in gang related activity in my part of the city are unemployed. I feel that because of the fact that work and education would take up most of their time, it would leave very little idle time for them to become involved in criminal activity.

Mr. HAWKINS. Do you make any distinction between just a job and the quality of the job? It has been stated that there are various employment opportunities available in Los Angeles. This generally refers to low paying jobs at or near the minimum wage and jobs that are not classified as skilled jobs.

Do you believe that there is some distinction that should be made between this type of employment and a type of employment

opportunity for an individual at the low scale which would allow that individual to advance, so that the hope of eventually achieving a skilled and a higher paying job will be held out to the youth and to others who are seeking employment?

In other words, is any job to be classified as a type of employment opportunity that would be conducive to, let us say, reducing criminal aggression?

Mr. BREWER. Yes, Mr. Chairman. I feel that it is important that they have jobs available to them that will give them some future, either in training, in obtaining a skill, or at least give them some hope of progressing upward into possibly more pay and providing them with a skill that they can use in later life. I feel that is very important, Mr. Chairman.

Mr. HAWKINS. Thank you.

Mr. Washington.

Mr. WASHINGTON. Chief Brewer, it was a pleasure reminiscing with you this morning about Chicago and some of the people and places and programs and landmarks, many of which you would not recognize if you traveled back there. All I can say is that Chicago's loss is Los Angeles' gain, but we would like to have you back.

Many of the things you said about this area, of course, apply to our old home of Chicago. Let me ask you this: You state that there is a correlation between high unemployment and the incidences of crime, particularly in the economic area. Do you detect among the people who frequent your workshop and your establishment also, a lack of training as well as lack of unemployment? There is a correlation at that level, too?

Mr. BREWER. Yes, there is. Most of the people we deal with—and I am talking about the people we have to introduce into the criminal justice process—are people who normally do not have proper education, who are high school dropouts, who lack the basic skills to apply for a job and hold a job, and who do not recognize that it is important that they be punctual or that they provide 8 hours work for 8 hours pay. Those are the kinds of people that we deal with day in and day out.

Yes, I agree with that, Congressman Washington.

Mr. WASHINGTON. This is a subjective question. I suppose most conclusions one could draw in this area are relatively subjective. But even from the vantage point of your position, where you see all sorts of examples of social disorganization, would you hazard a guess relative to the ambitions and desires of the people whom you are forced to deal with?

I am thinking primarily of the young people. Is it your feeling that perhaps if job opportunities were opened up instead of cut back, and more importantly, if there were adequate job training opportunities available, what would your response be relative to that? What would happen among the percentage of people whom you have to deal with? Would there be more ambition, more inspiration? Would it provide a sort of succession effect to pull people out of the level of social disorganization and crime they are in now? And if job and job training opportunities were increased rather than cut back, would it pull those people into gainful employment?

Mr. BREWER. I am willing to hazard a guess. I believe that certainly that is an important factor in diverting people to a life without crime, a life that they feel that they have some respect for self and, therefore, that they can go out and earn enough money to live comfortably as other people do in this society.

So if they have no hope and they do not see any hope on the horizon, then I think they do become involved in criminal activities, because they still have the same aspirations, they still want the same luxuries that anyone else wants, that is, a nice car, a place to live and clothing to wear. If they feel that they are unable to obtain those things legally, then I can see them getting involved in criminal activity.

Mr. WASHINGTON. So motivation is clearly a factor?

Mr. BREWER. Oh, yes, very definitely.

Mr. WASHINGTON. There is also a negative effect. If it is perceived that opportunities for jobs are lessened, if it is perceived that avenues toward higher education are cut back, then it follows as night does the day, more or less, that people are less inclined to lift themselves up?

Mr. BREWER. That is correct.

Mr. WASHINGTON. And they resort to other survival methods of sustaining themselves, usually a crime of an economic nature?

Mr. BREWER. Yes, sir.

Mr. WASHINGTON. We talk about crimes of an economic nature. There are other spinoffs, too. Family disputes, gang warfare, and all the other incidences of crime which are not necessarily economically based but perhaps economically motivated?

Mr. BREWER. That is correct. I agree.

Mr. WASHINGTON. I think the conclusion you arrived at would be perhaps true of other cities, particularly your old home of Chicago.

I yield, Mr. Chairman.

Mr. HAWKINS. Mr. Peyser.

Mr. PEYSER. Thank you, Mr. Chairman.

Chief, I enjoyed your testimony. Not enjoyed it in the sense of hearing what you had to bring out, but in learning something from it.

One of the things that I found out in cities and in the country is that one of the great motivating factors on people doing something gets into dollars. I am interested if you have any estimates or any ideas of what is the cost to Los Angeles, of crime? Has anybody put a dollar price tag on what crime really costs Los Angeles? I would be interested to hear your comment.

Mr. BREWER. I have never heard of a dollar figure placed on it, but I am certain it is prohibitive. Crime costs us in so many different areas. In terms of crime committed every day in our city, we pay many, many ways—in additional costs of the merchandise that we buy because of the necessary costs of insurance, of security, and so forth.

I would like to restrict that to just the south end of the city, if I could, because I am more familiar with that. In just about every business establishment in the south-central portion of the city, I see security guards who are present with arms, and I am sure they are there to prevent criminal activity. That is not free, so there-

fore, the merchandise that is being sold by that particular business has to be increased in cost to the customer.

There are many other ways in which we pay. We have to pay extra for the insurance on our homes and the valuables therein. We pay extra in cases where we purchase burglar alarms or even put bars on the windows on our homes. We pay in terms of lives, because in many cases in the past couple of years we had people who would have lost their lives because of those bars in place which prevented their escape in the case of fire.

I think the cost of crime is prohibitive. I could not begin to tell you what it costs. I am sure it does not end.

Mr. PEYSER. I think the point that I am making, and you are making in your comments, becomes very critical because, as I said, nothing moves local governments or people—whether it is suburban communities or the inner cities—more to start doing something positive if they begin to see that the cost of what they are not doing is getting higher and higher dollarwise, that it would be far cheaper to have people in productive jobs and working than it is to have them not working and paying a much higher price, to say nothing of human—and I am not getting into the human problems and equation that is involved—just the pure dollar-and-cents point of view.

The cost of prisons, for instance. I have no idea in Los Angeles what the situation in your prison population is, in the cost of your prison operation. I can tell you, going to another area, so your suburban areas do not think they are excluded from this problem—I represent as well as parts of New York City, I represent Westchester County in New York. Westchester County is looked on, and in fact is probably among the more affluent areas of this country. Yet Westchester County is facing a major problem now in prisons.

I don't know if it was reported out here, but recently in Valhalla, N.Y., in Westchester County, they had a major riot, a major burning and destruction of the prisons there due to overcrowding. The overcrowding costs are tremendous. Now they are faced with the question of having to—under orders—to create either new prisons or find other ways of handling the criminal population. One of the immediate responses has been to release over 500 prisoners who were not under their sentences ready for release but simply to reduce the numbers of the people in prisons.

There is a real dollar cost to this, and I would suggest that as much as possible in your capacity, that you might begin to find in the city of Los Angeles, begin to find a way of equating and putting some dollar figures, because that is a very motivating factor, because I am convinced from every element, human and economic, that if we can get people to work, you reduce the cost of crime, which is really what you have said very plainly, only I am trying to get you perhaps, and the city, to begin to look at dollars on this so that much of the public and business community will begin to say, "Look, we better get these people to work."

Mr. BREWER. I agree. I am sure if the public was aware of those costs, direct and indirect, I am sure they would respond and possibly give us more resources to try to stop crime at an earlier age as far as young people are concerned, as far as criminality is concerned. I feel very strongly that we are going to have to begin with

the very young. We are not doing that yet, to try to divert them into positive pursuits and to keep them out of criminal activity. We have to start that sooner or later. I do not think we have enough resources to do that now.

You are right. We are right now creating criminals, so to speak. They are growing older and at some point in their lives, they are unsalvageable. That is my personal feeling. I think we need to get on with the business of working with the young people before we can have some possibility of success in diverting them from criminal activity.

Mr. PEYSER. Thank you, Mr. Chairman.

Mr. HAWKINS. Chief Brewer, you made one reference which I would like to have some amplification on concerning the present position of the police department. I think you indicated that there had been some reduction or failure to expand the police force due to recent action by the voters both in not making additional moneys available at the State level and also, as I recall, voting down a ballot proposition that would have made moneys available to increase the force.

Would you amplify that a little as to just where we are in terms of expanding the police department?

Mr. BREWER. Surely, Mr. Chairman.

I think prior to proposition 13, the department's authorized strength was almost 7,500 sworn police officers. As a result of the cutbacks that were caused by the reduction of funds available through the tax process, we reduced our strength from 7,500 to 7,146, which is our present current authorized strength.

However, because of the lack of the bailout funds which the city had expected from the State of California, we are having to cut back even more. Now the strength is going to be set at 6,900, which represents approximately 200 employees fewer than we thought was an adequate number of people to carry out the department's responsibilities.

So, yes, the department is operating under strength. We are cutting back in sworn personnel. We are cutting back in civilian personnel. We are also cutting back in the equipment that we need to carry out our responsibilities.

Mr. HAWKINS. It doesn't give very much of an optimistic outlook. If we are in a position of cutting back on law enforcement to that extent, projecting the building of more prisons and jails—as Mr. Peyser indicated—it would seem that unless we begin to direct attention toward the creation of more job opportunities, better housing and education and so forth, it would seem to me that we are closing the avenues toward reaching a solution to the problem of preventing crime in the first instance.

Do you see any other direction in which we can look? I anticipate that we will again have a ballot proposition to build a few more prisons in the State, which for all practical reasons may be needed, but this does not seem to indicate the solution that the average citizen looks forward to in being made safer on the streets in Los Angeles.

Mr. BREWER. You are absolutely right. We are looking at a problem that is here and now, today. We are dealing with it with inadequate sources. So therefore, I can see the problem growing,

and we are not providing enough resources at the early end of the problem, where the problem begins. Therefore, you have the effect of an escalation, a multiplication of the problem, I see.

Yes, we are trying to stem the tide, you might say, today. That is about it.

Mr. HAWKINS. Well, again, Chief Brewer, we wish to thank you for your presentation this morning. Certainly you made a distinct contribution to the work of this subcommittee and we deeply appreciate it.

Mr. BREWER. Thank you very much.

Mr. HAWKINS. Thank you.

The next witnesses will constitute a panel. I will call their names. As I do, I would appreciate it if they would come to the witness table.

Ms. Othelia McFadden, Los Angeles Service Employees, Union Local 434; Judy Solkovits, president, United Teachers of Los Angeles; Mr. Ted Watkins of the Watts Labor Community Action Committee; Mr. Roy Escarcega, East Los Angeles Community Union; and Ira Handelman, Young Israel Community Development Corp.

This panel will discuss the impact of budget cuts on public services, community economic development, and employment. We will call on you, ladies and gentlemen, in the order in which we called you to the witness table. We will begin with Ms. McFadden, Los Angeles Service Employees, Union Local 434.

STATEMENT OF OTHELIA McFADDEN, LOS ANGELES SERVICE EMPLOYEES, UNION LOCAL 434

Ms. MCFADDEN. Thank you for inviting me here, Congressman Hawkins. I have a prepared statement and I will read from my statement.

America—just as much of the free world—has been agonizing over the issue of full employment for generations. Jobs for everybody, everybody who can and wants to work and enjoys the full esteem that work brings to an individual, but this society, like many others, has refused to face the issue squarely. We hold meetings, we talk, we deliberate, we make loud speeches in public places on the 4th of July and Labor Day, but we do not do a damned thing about it.

Millions and millions of people go without jobs. Kids, women, men. We all want to work. Many of them desperately need to work. Our economy leaps and falls in crazy cycles. It is either boom or bust. We worry about meeting the welfare and unemployment compensation bills, we worry about food stamps. But who seems to worry about replacing those things with an honest to gosh paycheck every week for a fair week's work?

You hang out a help wanted sign for a couple of job openings and 7,000 people line up. You are telling me people do not want to work?

Maybe this society is cursed. Maybe by its very nature it cannot—or what is worse, will not—keep all its able bodied people employed. Either way, whether it will not or cannot, I think we have the power and the right to correct that. In this room and in

this country, those who are of good will and want to change, far outnumber those that do not.

I believe we can and must have full employment in America. If other highly industrialized societies can get close to their goal, why can't we? I mean all the time. There is nothing evil or destructive about full employment, but sometimes I get the feeling that that is what some would have us believe. A pool of unemployed people may be helpful to some members of this society, but in my view, it is a sin against the vast majority of this society.

Let's face it. Unemployment is a crippler to both man and currency. It robs the system of buying power, it robs the Government of taxes. But the cruelest of all, it robs the unemployed of the right to life, liberty, and the pursuit of happiness.

In 1776, Tom Paine warned that society and Government ought not be confused. He said, "Society is produced by our wants and Government is produced by our wickedness." Society is a patron and Government is a punisher. Today, while our society cries out in pain, our Government tightens the screws. Is this so different from 1776 when American colonies felt the oppression of their Government?

In the second quarter of this year, 1981, there were more than 9 million families maintained by female heads of households. According to the Bureau of Labor Statistics, half of those women trying to keep up a family had no jobs. We must assume the overwhelming majority could not find jobs. Our guess is that there were a lot of little mouths going hungry in those households.

Despite this, government at all levels in this community is cutting work forces. On top of that, the Federal Government is activating policies that will result in who knows how many thousands of layoffs and it does not make much difference if you are white, black, or a Hispanic female, the percentages of unemployed female heads of households are roughly the same.

We bury our heads in the sand about full employment. When it gets right down to it, we dismantle—as the Reagan administration is doing—CETA and other training programs so we are plunged into a world of confusion, contradiction, unconcern about our fellow human beings, leaving the truly needy to live in hallways and filthy streets, to grub for food from garbage cans, to get sick and not get adequate medical care.

This is the society of the insecure. Do you wonder why it is a Nation ridden with anxiety and violence? I don't.

Business runs America. Yet, our captains of finance and industry and Government apparently refuse to see the soundness that full employment represents, as an investment. Give tax breaks to the big corporations if you must—as the Reagan administration now does—but give it to them to train and hire our job hungry people. Our people who have been stripped of jobs by new technologies, by automation, by the flight of American industry to foreign lands only to send back the products of foreign labor that merely intensify our crises of unemployment and our delivery of import strained economics.

The apparent abdication of Federal responsibility by the Reagan administration in our social and economic areas is unconsionable. Our States and local governments cannot fill the vacuum in a

nation of 225 million in this day and age of social and technical development.

Can our legislative branch—Congress—fill the void? Will it? That is the burning question in our heads today. What we have seen for some time in the United States and what is being accelerated by this administration is the trend which finds the Nation's wealth going to the rich and the impoverished becoming more impoverished. Our golden rule seems to be: "To him that hath, we shall give, and from him that hath not, we shall take away."

Unemployment wherever it is found is as much a malignancy to be torn out as the worst cancer. It breeds the worst in men. Crime, violence, hopelessness. Full employment is the antidote. There never was a worse time for unemployment in America or a better time to get rid of it.

Federal cuts, coupled with proposition 13 cuts in California have thrown the State into a state of crisis. In Los Angeles County, over 5,000 CETA workers have been terminated. Approximately 85 percent of these people are minorities. The Los Angeles County CAO's office has recommended approximately 4,500 permanent positions be eliminated in the county.

One thousand eight hundred of these from the health services, most of them being entry level positions. Eight public health clinics, mostly in minority communities, have been closed. MLK—Martin Luther King Hospital has been cut back 15 percent, while other hospitals received a suggested cutback of 10 percent.

New York City terminated 11,000 CETA workers, 9,000 of those terminated came off the welfare rolls. Approximately two-thirds of these people were minorities.

Reagan is screaming about people becoming employees but the way he is dismantling the social programs and public employment, he has pulled the prop, leaving the underprivileged with little or no hope.

Minorities, youth, the needy, the sick, and the aged have been singled out by the Reagan administration to cut vital services, training and public sector employment to subsidize the large tax breaks to the oil companies, large corporations, and the rich. The poor must suffer while President Reagan is to cast aside the needy so he can build a military power that would become a world threatening death machine that would destroy the world three times over.

No community will willingly commit suicide by being deprived of food, health care, and no care for underprivileged children while others lavish themselves in luxury. The total community cannot and will not be secure when a significant part of its constituency is without jobs, food, clothing, housing, and health care.

Thank you.

Mr. HAWKINS. Thank you, Ms. McFadden.

I understand that you have a time problem? Since you were the first witness here this morning, I think we could be forgiven if we allow you to go ahead to keep an appointment. The next member of the panel is Mr. Roy Escarcega.

STATEMENT OF ROY ESCARCEGA, EAST LOS ANGELES COMMUNITY UNION

Mr. ESCARCEGA. Thank you, Mr. Chairman.

I have submitted a written document, 12 pages, which I will summarize in great detail the significance of the impact of the budget cuts in east Los Angeles.

I want to take one piece of that document and illuminate to you what it means. The city of Los Angeles has funded youth programs that bought 9.5 million hours of productivity. That means if you take all the CETA allocations in the greater east Los Angeles area, take the wages, the slots, and multiply them by 4 and 20, the Government paid for 9.5 million hours of people not committing crime. Let's say they do not sue that productivity factor. Let's say we are just talking about 10 percent of that. That is still a significant figure.

I would like to focus my remarks on recommendations. I think it is important that you are going to hear plenty of statistical justification for the problems and there are speakers here that I think can do it a lot better than myself.

I think it is important for us to take a look at the delivery system. We have all kinds of skepticism today on what is going to happen to CETA in the future and what the block grant is going to do. I think it is important to recognize that we have a system in place. Good or bad, it is in place. I think it should be strengthened. I think the block grant system should strengthen that system, whether it is taken out of the cities and given to geographical manpower areas, I think it is important to look at that.

There has to be a clearly defined role for community organizations. Without that, we are going to have a system of delivery of services absent those that have the advocacy position for the overall community.

We need a significant role for the private sector in these programs. Important to that system is going to be building in flexibility. Flexibility is going to be the keynote for developing the innovative programs necessary, especially in economic development, for young people. That is important.

I think another recommendation I would advocate, would be targeting. We have to clearly define in our local plans who are going to be the people who receive the services and what the significant segments are going to be. It is important also to have a public and private sector linkage.

We think it is important to quit beating our breasts and to get with the innovative activities that are going to create jobs. We have to go forward in an economy when that is tough. We have to exercise our minds and our resources, the community resources, for creating employment programs.

We cannot have the creation of programs without the involvement of business. Business, whether you like it or not, is where the jobs are. We have to do something like identifying high demand occupations and design a program for high demand occupations that calls for full subsidy.

It is important that we take a good look at the community development programs. In Chicago, we have community development corporations. In New York, we have the start of the commu-

nity development movement with the Bedford-Stuyvesant and the Bronx. It is important to view those programs as a bridge between the private sector and the community sector.

I think it is important for us to focus on the future for youth programs. If we are going to recommend a policy for the future, I think it is important for us to design a program for youth that is separate from the rest of the community—not the country—separate from the rest of the segment population. Private sector work experience is good. I know it is looked at as windfall profits. We have to turn that around. With proper monitoring, I think it is going to help the young people get in the mainstream of employment.

Declining wage subsidies are important. Career exploration such as developing the kind of career exploration with the local vocational education establishment is important.

Last but not least, young people must leave high school with the ability to read, write, and compute simple math because it is important that these basic labor market survival skills are standard criteria for modern education today.

That is what I think we have to look at in the future. I think that is the direction we should be taking. I thank you for inviting me to express my views.

[The prepared statement of Roy Escarcega follows:]

PREPARED STATEMENT OF ROY R. ESCARCEGA, SENIOR VICE PRESIDENT, THE EAST LOS ANGELES COMMUNITY UNION

Due to the recent federal cut backs of the Comprehensive Employment Training Act funds a number of youths across our county are facing a dim future. These individuals are those who have not gained any marketable skills while in high school and very often have left school without their diplomas. Possessing few academic skills and with little inclination toward returning to school they turned to CETA for training, counseling and gainful employment.

Over the last few years we have even taken this away so that their only avenues of income are welfare and crime. The results of these actions will not show now or in a year, but will be the explanation for the unemployment lines and welfare rolls of our future. We must be aware of training and employing the future workforce, today.

This paper shall address the impact of the recent cut backs and their effect on the youth, programs and social structures in the East Los Angeles Community. Even though this document deals primarily with East Los Angeles its effect is being multiplied across our country. It is essential that a nationwide effort be made to address the problems of unskilled youths and a ever demanding technical job market.

I. WHAT ARE THE EFFECTS OF THE CUTS ON CETA PROGRAMS?

The East Los Angeles Community Union (TELACU) is a Community Development Corporation serving the eight regions of our Special Impact Area (S.I.A.) (Lincoln Heights, Boyle Heights, Highland Park, El Sereno, Unincorporated East Los Angeles, Montebello, Monterey Park, Commerce). According to the 1980 Census there are 338,197 individuals residing within this S.I.A. with approximately 37,926 being unemployed or one individual out of 10 being unemployed.

The average family income for these communities is $9,056.63, this is for an average family of 3.4 individuals. According to the Office of Management and Budget for any member of urban family of 3 to qualify for training under the CETA Act the family income cannot be higher than $9,230. Theoretically, any resident of our SIA qualifies as a potential CETA participant.

Of these 338,197 residents approximately 50,000 of these individuals are between the ages of 15 to 21 years of age with over 50 percent of these young persons eligible for participation in the CETA youth programs. Therefore, the impact of the recent CETA cut backs have had a greater effect on this community.

Over a period covering 1978 to 1982 there has been approximately a 40 percent cut back in CETA funds, for the East/Northeast Area of Los Angeles, referring to Chart A the entire area was given $2,560,219 in program year 1978-79 and has steadily declined to $1,260,221 in program year 1981-82. This has been accompanied by a decrease in enrollment, due to a lack of funds, from 739 youths in program year 1978-79 to 303 youths scheduled in program year 1982. These figures are funding for the City Section of TELACU's SIA and are proportionately higher in the County of Los Angeles.

IMPACT OF CETA CUTS FOR A 4-YEAR PROGRAM PERIOD, FIGURES FROM LOS ANGELES COMMUNITY DEVELOPMENT DEPARTMENT, CITY OF LOS ANGELES

Program year	Number of participants	Percent of difference	Total grants for LMPA No.[1]	Difference from previous year	Difference in percent	Cost per client
1978-79	739		$2,560,219			$3,464.44
1979-80	556	-24.76	2,207,099	-$353,120	-13.79	3,969.60
1980-81	426	-23.38	1,735,199	-471,900	-21.38	4,073.24
1981-82	303	-28.87	1,260,221	474,978	-27.37	[2] 4,159.15
Total	2,024	-58.998	7,762,738	-1,299,998	-42.90	3,916.61

[1] Labor manpower planning area—refers to E/NE area of Los Angeles.
[2] Averages.

These cuts are occurring at a time when a greater number of youths are leaving school graduation and the employment market is getting more demanding.

The cuts have not only affected the existence of the programs, but the very quality of those programs still remaining. This is but one consequence of the recent cuts, others are that:

Fewer numbers of unemployed or underemployed individuals will be assisted into the main stream of society.

The local prime will not be able to afford the luxury of a innovative program no matter how promising.

Many smaller agencies will close because they will not be able to run programs on the smaller allocations.

Local primes will have token staffs working on youth programs due to a lack of funds.

Social Service have been lost or severly curtailed by the loss of these youth funds, including: 1. Senior Citizen Support; 2. Tutoring; 3. Weatherization; 4. Handyman Service; and 5. Child Care.

A number of agencies administering the programs have had to lay-off staff that were involved with youth programs.

The overall effect of the CETA cuts are that they will increase the number of the unskilled and unemployed, remove the most prominent avenue of social mobility from those most in need and develop a clientele for welfare in the future.

II. WHAT ARE THE EFFECTS OF THE CUTS ON THE GREATER EAST LOS ANGELES COMMUNITY?

In the loss of a major revenue source to small community there are a number of factors to be considered, such as the staff and participants employed on the program, their buying power, the programs buying power, what services did the program provide, how many times were these revenues circulated thru the community, as well as others. By taking these factors into consideration the effect of the dollar is multiplied many times over, so that two dollars injected into the communities economy can have the overall effect of ten million dollars or more.

The withdrawal of the money in turn must have as equally or greater effect on the economy, its industry, the individual families and the fabric of the community.

Over the last four years a total of $7,762,738 have been allocated to the East/Northeast area by the City of Los Angeles with the County of Los Angeles allocating almost twice that much. That is total of over twenty-four million dollars.

With the use of the multiplier effect in the withdrawal of this money the community will suffer a $100,000,000 loss in monies, services, materials, equipment and services purchased as well as jobs to the community.

These factors are primarily fiscal in nature and do not take into consideration the long term social factors, such as:

A large unskilled labor force in a small community.

A drain on public services (former PSE participants are already appearing on welfare roles).

Higher unemployment figures.

Lower living standards.

The loss of tax revenues.

These types of social ills create a strain on the fabric of the community. Crime is always more prominent in communities where unemployment figures run high. During the four years of the CETA youth programs mentioned in Chart A there was a total of 9.5 million work hours or "non-crime hours". The funds given to these youths "paid" for a number of non-crime hours after work as well. This seems to have been monies well spent if only for this reason.

CETA employment had also multiplier effect in that the figures mentioned for participants were actually CETA slots or jobs available during a program year. This allowed two or three youths to fill a slot during a year as soon as the previous youth was placed in unsubsidized employment. This allowed for the maximization of the CETA dollar. With the removal of the program not one, but two or three youths will now find themselves without that alternative.

The purchasing power of these youths will be severly curtailed in almost all cases. Purchases from local merchants by youth shall be severly curtailed and will in turn affect the merchant as well. The purchasing power of the family of the youths shall also be more restricted that they will lose approximately one fourth of their buying power.

In many instances this reduction in funds will determine the various life styles pursued by the family and its member and maybe the factor that puts the family on the public rolls.

Overall, the effect of the reduced funds on the community is to create a large void in which economic growth as well individual growth will be stunted. Jobs will be at a premium and will go to those with the most skills and wanting the least money. Those without skills will be given few opportunities and will become a drain on the community. The general living standards will decline and the avenues for alternative life styles will be few. This kind of situation will help to creat a cycle of poverty from parent to youth.

RECOMMENDATION

At a time when it is necessary for the good of nation to maximize the productivity of all its resources, we can litte afford to ignore the nation poor youth. There must be a concentrated effort to help these individuals, but not through the traditional methods of education because in their cases it was not productive.

Approaches and techniques must be used that bring about long term results in short term training periods. The economically disadvantaged do not have the opportunity to spend years in their training to make a living. Their very existence is based on their ability to produce quickly.

The needs of our nation's industry are also based on their ability to produce quickly. It seems that these two needs, for trained individuals and jobs, could be brought together for the mutual benefit of both.

The following are a number of recomendations for the utilization of the CETA experience, our country's youth and private enterprises in help to train our unskilled labor force.

A. DELIVERY SYSTEMS

Although there are many weakness in the existing system, the current structure should be modified and strengthened, not eliminated. Responsibility for developing and implementing employment and training programs should be left with the local governments. A strengthened system should have well defined roles for the private sector, educational, public institutions and community based organizations.

There needs to be more local flexibility in the determination of local program mix and services to be offered. To maximize the utilization of resources in the provision of training activities, participatory decision making with heavy involvement of the private sector is important. Through this decision making process, local labor market and community needs can be determined and local programs designs based on these needs can be developed.

Local flexibility must include the authority to develop new and innovative programs. It must also include the authority to integrate the employment and training programs with other public and private development activities.

B. TARGETING

To ensure services to those groups most in need, national guidelines and eligibility criteria should be established identifying "significant segments"/target groups to be served. These guidelines should be broad enough to allow for local response to the needs of special interest groups and in the determination of types of services to be offered. The methodology for serving identified target groups should be left to a local participatory decision making process.

C. A PUBLIC AND PRIVATE SECTOR LINKAGE

The development of a working link between the public and private sector is a necessary step for the training for our unskilled labor force. In a highly technological society, such as ours, the large masses of unskilled youth and adults is highly unproductive and creates a burden on society itself. This labor force is also the market place in which our industry must sell its product. With more of this labor force unemployed or under employed we create a economic situation of no growth because of no market.

Therefore, it is imperative that more incentive be given to large companies to develop training programs for economically disadvantaged individuals. This can be approached in a number of ways such as providing additional tax incentives for specific technical training, as opposed to manuel labor positions.

Another approach might be the complete subsidization of an individuals training in a specific field of employment that is in high demand.

In order for employment and training programs to meet the goal of placing people in private sector jobs, the business community must be involved from the beginning, not just at the end when it comes time for placement. The Private Sector must be involved in the identification of labor market needs and the program design.

Private Sector involvement should include: Participation of decision makers from the business community; flexibility to allow a wide range of organizational arrangements and/or activities depending on local needs; the involvement of small businesses; and the involvement of community based organizations to provide the counseling and support services necessary to deal with specific problems. Particularly Community Development Corporations that contain Economic Development and Human Services components for the benefit of the community.

These would be just a couple of suggestions for the development of a public/private sector linkage. But it is necessary that at this point that this linkage be encouraged so that we do not prepetuate a future of even larger group of unskilled welfare recipients.

D. YOUTH

A separate employment and training system should be designed to meet the needs of in and out of school youth. The goal of this program should be to develop the "employability skills" of young people by concentrating on work experience, job readiness, career counseling, occupational information and basic skills. The primary emphasis of such programs should be on private sector related activities such as work experience in the private sector, declining wage subsidies, career exploration/internships and other innovative activities which expose and prepare youth for jobs in the private sector. At the same time, community based organizations should be utilized to provide the job preparation and support counseling activities and the schools to provide the basic skills.

The Employment and Training system should be co-ordinated with the vocational educational system so that these services could be provided to all youth, not just economically disadvantaged youth with subsidization occurring for those who meet certain defined eligibility criteria.

Mr. HAWKINS. Thank you. May I ask you whether or not you can stay until the other witnesses have presented their statements or are you under a time constraint at this time?

Mr. ESCARCEGA. I can stay.

Mr. HAWKINS. Fine. We will then go on with the next witness, Ms. Solkovits, president of the United Teachers of Los Angeles.

STATEMENT OF JUDY SOLKOVITS, PRESIDENT, UNITED TEACHERS OF LOS ANGELES

Ms. SOLKOVITS. Thank you for the opportunity to be here today. I am Judy Solkovits, president of United Teachers of Los Angeles. We are the bargaining agent for 32,000 certificated employees in the Los Angeles unified school district. The school district has a student body enrollment of approximately 538,000 students. It has been a rapidly changing enrollment. The projection is that by the year 1984, 54 percent of our student body will be Hispanic surnamed, about 20 percent of the student body will be Anglo, the rest will made up of black students and Asian students.

I have a prepared statement that I will read to you today.

The impact of President Reagan's budget cuts are so penetrating, we will be lucky to have chalk by the end of his term in office. The Reagan budget has so drastically cut already lean educational programs that every one of the integral educational offerings—from vocational, special, adult, and bilingual education, to name a few—will be so severely limited that these programs may ultimately be rendered ineffective.

On top of that, the shift from federally mandated and funded categorical programs to block grants to States creates a new budget battlefield, and will inevitably pit interest groups against minorities, against regional interests, the Governor against the legislature, big cities against small, education against housing, et cetera.

The result of the Reagan back-to-the-States policy is to politicize funding at the State and local levels.

The Los Angeles unified school district, the second largest school district in the country, will feel the cuts in funding to education more severely than most districts. The Federal cut to education programs was 12 percent, while the cut in Los Angeles is expected to be 21 percent. This, of course, doesn't take inflation into account.

This means significant cutbacks in ESEA title I and IV grants, which affect educationally deprived; a 40-percent cut in the followthrough program, seriously affecting the Head Start program; a 69 percent cut in the basic ESAA [the Energy School Assistance Act program]; a 60-percent takeback in the CETA program, means only one thing—jobs; an estimated 15 percent in child nutrition programs, which in Los Angeles alone will push 10 percent or 5,000 children out of the free lunch program. The working poor families will once again be penalized and their children demoted from hot, balanced lunches to peanut butter and jelly.

Those are just a few of the areas where the Federal cuts are impacting the hardest. Since there are so many horror stories, I think it would be useful to describe one in detail.

The ESAA grant was $15 million to the Los Angeles school district in the 1980–81 school year. In 1981–82, it is expected to be just under $5 million. This means that every program will have to be either slashed or greatly cut back. The student-to-student interests program, for example, was an exchange program between schools to help make desegregation work. It was effective.

The integration teacher advisors program placed advisors in 153 schools, mostly elementary, and have been there to make genuine integration a reality in the lives of the students. It wasn't enough to desegregate the schools. The children needed programs and as-

sistance during lunch and after school. This program will be curtailed. The roughly 20 advisors will have to be reassigned.

The bilingual training program will have to be cut from $2 million to $458,000. That is the wrong way to go in Los Angeles at a time when our bilingual needs are increasing.

The minigrants program, another ESAA component, was a model for the country. These grants gave birth to multicultural activities, clubs, after school and instructional programs. In 1980–81, this nonoverhead program gave out 150 grants at about $2,000 per school. This coming year, it will be less than half those numbers.

We will lose $1 million for counselors in the ESAA program. The community network, where jobs will be lost due to cuts, reverses attempts to facilitate community involvement.

Again, that is merely one of more than a dozen educational programs, and a relatively small one at that. The effects go way beyond the impact on the specific programs that have lost some of their funding. The cuts put a strain on the entire educational process. When ESAA gets cut, less students are given less programs, staff and resources to work with. The students to their hangouts and street corners earlier, and if they go to the same old playground, they will definitely find it understaffed and underequipped. The CETA program helped staff their facilities.

The Federal cuts demand the impossible for the child nutrition program. Children will pay more in the lunch line and get less variety. The food program won't be able to afford new equipment; staff hours will be cut; wages will lose more ground in the fight against inflation, and needless to say, their workloads will grow.

Meanwhile, the teacher's workload increases. The class size will increase as well for many reasons. Students will no longer have extra programs to participate in and will instead, jam into already overcrowded classes.

The Los Angeles unified school district has indicated it won't lay off teachers, but will use attrition to keep the payrolls down. The budget crunch cuts most teachers aide slots, which will not only have an effect on the workload, it will send another group of educational employees to the unemployment offices.

The school district, as I pointed out, won't be able to replace teachers who retire or quit. This also means that new teachers won't find jobs here. The long-term effects are that potentially good people are turned away from the educational system and left unemployed, while the system and its needy students go hungry for their services.

After decades of fighting to build a responsive public education system in this country, we are now turning our backs on that often referred to future of America—today's students—and instead, facing the Pentagon and throwing our precious resources away.

Mr. HAWKINS. Thank you, Ms. Solkovits.

The next witness is Mr. Ted Watkins of the Watts Labor Community Action Committee. Mr. Watkins, unlike most of the other witnesses, seems to be operating not one or two, but several programs and certainly I would like to personally commend you. I have worked with you over a long period of time. As a matter of fact, I would say two decades, and I certainly want to

commend you for the very outstanding job that you have done. We are looking forward to your testimony.

STATEMENT OF TED WATKINS, WATTS LABOR COMMUNITY ACTION COMMITTEE

Mr. WATKINS. I am Ted Watkins, the president of the Watts Labor Community Action Committee. For the record, I want to make it clear that I am not here lobbying, nor am I here trying to influence Congressmen or any other publicly elected official, because of the Hatch Act and because we are a nonprofit community based organization.

There are some things that I think can be said. No. 1, it is my personal feeling and observation, living both in California and Mississippi over the past 57 years, that the black nation in America is in worse shape than it has been since the Civil War. When poverty programs started, we went through hearing after hearing, all the way from McCombs, to Warrens, to Kennedys, to Senators and in going through hearings for the past 16 years.

After each hearing it appears data is compiled to see how more blacks can be cut out of programs, revenue turned on to programs. More and more in America when I go to meetings, I see less and less participation of blacks in poverty program meetings than I see of any other group of people who are supposed to be the most deprived.

The unemployment situation in America in the black communities that I have visited—and that includes Chicago, Washington, D.C., New York City, Detroit, Mich., and in Los Angeles the black community is the most deprived community that we find in this country.

I think one of the problems that we are facing today is that our people have been so deprived that they are not even responding any more to the question of whether they are being deprived any more or not. They are not responding to whether school budgets are being cut because kids in our community are not getting quality eduction in the first place. They are leaving school at the end of 12 years with a sixth and seventh grade education.

Doctors are not waiting on our people, so when you start talking about doctors and administrators being cut in hospitals, the quality of service that our people have been getting, they are not responding.

So I think what we are beginning to see is a backlash beginning to take place with poor people who have been deprived so long that they are almost immune to what is going on in this Nation today. That is why you do not see them marching. That is why you do not see them demonstrating. That is why you do not see them out there verbally talking about what is happening, because the things that are happening in America today are happening more to the middle class America because the middle class Americans have taken more over of the poverty programs and get a bigger percentage of poverty dollars than poor people are getting.

If you cut out welfare administration and begin to reflect it back to what the welfare recipients are getting, you will find out that they are the ones—the administration—that gets the biggest share of the dollar. If you look at the hospitals—go out and look at

Martin Luther King Hospital and see the number of cars parked around Martin Luther King Hospital and go in there and see how long it takes you to get a poor person waited on in that hospital. You cannot park within two blocks of the hospital because of the workers in that hospital that come from the outside of the community.

Jobs, when we begin to talk about construction in America being one of the backbones and one of the ways and levels and measurements of the economy in this country, south-central Los Angeles has not had any significant housing done in it in 35 years. So the impact in the building industry has no impact in south-central Los Angeles. We have had 1,500 houses destroyed in 15 years and less than a 1,000 housing units put back in there in the last 15 years.

When we talk about the Century Freeway, the Century Freeway they say is going to be built. But what significant impact will that freeway have on black employment? What is the Government going to do putting their dollars in there? What are the legislators going to do putting their dollars in there to guarantee there is maximum black participation because they destroyed a black community in the process? These are the things that I think we need to be looking at.

I watched the poverty agency in Los Angeles get $60 million a year called COA, and $60 million a year they were getting. I cannot show you one thing in Watts that that agency has done visibly or physically, that it has done in that community.

I think what we began to see in 1981 is that the poor people have been so misused and abused that they are not responding any more. I think they want to see visible and physical things just like people in Beverly Hills, just like people in Orange County, just like we have seen all the way from Long Beach to San Diego, communities being built with the taxpayer's dollars, shopping centers like Marina Del Rey being built. Big developments around this place. The university taxpayers' dollars to build up the urban renewal project. Downtown Los Angeles, Arco building, May Companies, and everything else using taxpayers' dollars to build. Nothing is going on in south central for blacks and minorities.

I think this is why you are not getting the response from poor people today in support of these programs. [Applause.]

You will find doctors marching down here to talk for 1 or 2 hours about those poor people. You are not finding the students talking about the cuts. You are finding that the teachers and their representatives are talking about the cuts. I have been a labor man for 31 years. I do not find the representation of the constituents any more that I used to find. After Walter Reuther died, there was no more commitment to social causes out there in the community. This is the problem that I think America is facing.

When you cut the taxes, and at the same time they took the level off of gasoline, it wasn't just poor people that were hit. I watched gasoline in 1 hour drop 20 cents a gallon so that even if they cut the taxes, they paid it back to the oil companies with an increase in gasoline of 20 cents a gallon. I don't think people even notice what is going on any more in this country.

That is all I have to say. Thank you.

Mr. HAWKINS. Well, Ted, you said enough, very eloquently. [Applause.]

The last witness on this panel is Mr. Ira Handelman, representing Mr. Howard Samuels of the Young Israel Community Development Corp.

STATEMENT OF IRA HANDELMAN, YOUNG ISRAEL COMMUNITY DEVELOPMENT CORP.

Mr. HANDELMAN. I know it is a tough act to follow this entire panel, especially Mr. Watkins. I would like to amplify a few of the points that have been made. We are a nonsectarian corporation that has been serving the city and county of Los Angeles over the last 7 years. I think one of the things that has happened with the new administration has been a very defensive attitude on the part of a lot of government programs. While not arguing there is waste and inefficiency, many programs work. I think it is time for the people in these programs and for government to realize that.

The CETA program, in many cases, works. On-the-job training has placed thousands upon thousands of people in Los Angeles into productive jobs, whether they are tax paying citizens, not on welfare, contributing to their communities. This fact has not been made known to the general public. When you mention CETA, everyone thinks of the programs that have not worked. I think it is time for both Congress and the groups themselves—I think we are doing it today—to document the fact that many of these programs work.

I want to give two examples:

One of the programs that is successful in Los Angeles by ourselves and other agencies is the handyman program. You took CETA workers to fix up the homes of the elderly and handicapped. These people got jobs in the building and maintenance industries. Here was an example of a government program doing three or four things at the same time—giving people a sense of security like putting in locks and bolts, taking care of safety problems, helping the overall community look better, as well as providing job training and then job placement. I think this has been overlooked in a lot of the discussions in the last year.

The second very successful program is English as a second language. Los Angeles is the port of entry—I think one of the largest in the country for immigrants, both Asian, Latin American, and eastern Europeans. Many of these immigrants who come into this country—because the government still believes and the people in this country still believe that we are a place for people to come from oppressed nations—have some English. They go and get jobs, again with high placement rates, contributing to society. I think it is time for CETA and for government to look at the successes.

I want to take one point Mr. Watkins made about the cost of programs. I think Congress has to look at what programs really cost. Usually, when they cut, they cut the services of the participants, they don't cut the administration. Now, there are many good people that work in government programs and do things that at one time were meaningful but are no longer meaningful. They are taxpayers, too, and have worked in government for 20 years. They don't think what they are doing is not worthwhile.

In reality, if you look at the program from a cost-effective point of view, it is not effective any more. I think Congress has to look at ways of phasing out some of the administration of government programs but not just chopping it off the way the Reagan administration has done, but planning to get people in government with good skills into private industry. I think you would find the savings would be tremendous and then this money could be put back into serving the poor and needy, those who really need it.

No one is talking about that. I think that, to me, is one of the most important issues. There is only a limited amount of money, somebody has to get cut. There might be a way of distributing the money and distributing the jobs.

When the Reagan administration sees the private sector is just waiting to take up the slack, it is not waiting. It needs to be pushed. If they are going to get tax breaks and get windfall profits, they should be able to provide jobs for the poor and needy in this country and for many of the people in government that if they were put in the private sector there would be more money for those who really need it.

Thank you very much.

Mr. HAWKINS. There is one general question, it seems to me, that is entertained with the presentation made. I don't know which one of the witnesses would like to respond to it. Maybe we will just throw it out in the open.

That is, What is the potential for State and local public or private resources replacing lost Federal dollars to provide the essential services that the witnesses have talked about?

In other words, the theory of the Reagan administration is that since local officials at the State and local levels have been demanding more control over the programs that they will be in a better position to administer the programs and to provide the services that are being cut back even though the amount of money is being reduced?

I think Mr. Watkins, in his statement, did refer rather dramatically to what is happening at the local level and some of this local control, because the money always did flow through the State and local officials, but somehow did not reach the people for which the money was intended.

The specific question is now that the action is going to be at the State and local levels, to what extent can we hold these local officials, who have not offered opposition to the Reagan program, accountable for the mess which they have helped to create?

Mr. Watkins.

Mr. WATKINS. I can give only one example that I know of. Back in the days of the Neighborhood Youth Corps, the Labor Department programs were being handled by a district office headed by Bob Reynolds and Grace Davis with about 25 people handling eastern California, Nevada, Arizona, and I think Hawaii. Twenty-five people.

When they transferred the activities of the Neighborhood Youth Corps to CETA and put it in the hands of the city and county, there are now 800 people handling and pushing paper for the same identical program with less money. It appears that when they did

not have anything else to do, they created paper for the community organization to have to shuffle.

There hasn't been any significant saving that I have seen in any of the decentralized agency efforts, which was supposed to be an economic move back in the seventies in changing these programs from the national office down to the local offices. I think that is the best example I know of.

Mr. HAWKINS. Mr. Handelman?

Mr. HANDELMAN. Again, agreeing with Mr. Watkins and going one step further, not only is the program run by more people, but it is not done efficiently. I think if it is not done efficiently at this level, and if more responsibilities are assumed by State and local governments—with all due respect to our State and local governments—there will be chaos, tremendous chaos.

Mr. HAWKINS. Ms. Solkovits?

Ms. SOLKOVITS. I am not going to be answering that question from the same point of view. I am thinking in terms of specific programs in the Los Angeles unified school district. I am going to zero in on two of them:

Special education and bilingual education were programs that needed mandates in order to become programs. That is not to say there was not a need for special education programs or programs in bilingual education for several years within this school district and any school district in the country.

One of our great fears is that once this money comes in the form of a block grant, then a local board of education, whether it be this board of education or any other board of education, has to make decisions as to how that money is going to be used and set some sort of priorities. I think that bears witness to the fact that these are highly controversial political-type programs that could very easily be cast aside because you now have this whole situation in the political arena. How you service children with these needs becomes a political issue. We are very concerned about this.

Mr. HAWKINS. Ms. Solkovits, in connection with the ESEA title I program, which to my understanding was an issue during the conference committee deliberations, is that the program is not going to be block granted; however, the money will flow through the States.

My understanding is that there is some doubt as to whether or not the maintenance of effort provision will flow along with the money, that there is some question as to whether or not that provision will go along with the money so that the State, to a large extent, will pass the money through the local educational agencies.

My understanding further is that the auditing provision will be very loosely administered; that is, some auditing will be made, I think, not on an annual basis, but perhaps on a 3- or 5-year basis, which opens up the question of whether or not the money will be used by the local school district to supplement educational funds obtained at the local level to help enrich the programs for the educationally deprived or whether or not it could possibly be used by local school districts to simply supplement their budgets and go into a common pool, there to be used perhaps to relieve them of their other problems.

Do you see this as a real risk then to those who need the money the most, that is, those who have been deprived, the disadvantaged children? Do you think the local education agencies are going to be so broadminded that they are going to continue to use the money as they have in the past?

Ms. SOLKOVITS. One would hope that the answer could be yes, but again I am saying that now the issues are being put into a political arena. Obviously, programs were created because of the fact that you didn't have overwhelming support for programs in the first place at the local level and that needs are not being met.

I hope we could look at things and be objective and understand there are some children that have special needs. But whenever you have the situation occurring when it becomes a question of open, public debate for example, during a local board of education meeting, I think you do run the risk of having funds shifted and perhaps not fulfilling the special needs.

Mr. HAWKINS. Ms. McFadden, you indicated very specifically what is likely to happen. Let me just pick out one paragraph:

> The LA County office has recommended approximately 4,500 positions be eliminated in the county, 1,800 in the health services, eight public health clinics, mostly minority communities, have been closed, and Martin Luther King Hospital has been cut back.

These are rather specific things that are going to happen as a result of these budget cuts at a time when the Reagan administration is saying: "Look, we are sending money to the local levels, there to be used in their judgment in order to keep programs alive."

Just where does it go wrong? If at the Federal level the case is being made that with less money but with more control, these local programs will continue, and yet you are indicating rather specifically that the health clinics, for example, that eight clinics have already been closed. Just where do we go to get a correction of this situation? Do we hold the county responsible? Just who should be held accountable?

Ms. MCFADDEN. The State and county should be held responsible for some of what is considered mismanagement in county government. For example, the trade unions have gone time and time again to the State as well as to the board of supervisors. Billing is the problem in most of these public entities. They are not billing correctly.

The board of supervisors are supportive of contracting out services. It has been proven to the board of supervisors that the public employees are certainly more cost effective than contracting out services. These people have turned a deaf ear to us and are willing to pay more money to contractor services than to put the money into the system.

Take the transportation department for instance—most of us know that transportation can or should generate revenue. We have gone to the board of supervisors on this issue. We have gotten 15 minutes of prime media time on TV. We have exposed this group of people.

However, the board of supervisors, with three conservatives sitting on that board, insist on contracting out the services. Now, it would make one wonder as to why you would spend the taxpayers'

money in such a wasteful manner and we go back again to mismanagement. We have layers, and layers, and layers of management. I would say we have approximately one supervisor to five people in the public sector. In contrast, the private sector has basically one supervisor to 20 people.

What we are saying is that if the money was managed properly, we would not have to close clinics. In the meantime, we have closed eight clinics. We cut back at Martin Luther King Hospital, such as the renal dialysis, the pharmacy, and other the vital services.

Supervisor Chevera is now in the process, or very close to constructing a $50 or $55 million clinic in his area. If moneys were so limited, there certainly would not be any money, especially $50 to $55 million. If the Government is going to leave it in the hands of the State and the counties, then we are going to certainly have to see that we have people in these positions. We are going to have to push for it. We are going to have to monitor it, because the minorities are being left behind. We are being the ones that are cheated out of what is rightfully ours, and that is the right to life basically. That is the department that I service and that is health care.

There is a lot of work that needs to be done. I think we are going to have to take this issue seriously. Perhaps we have to have what we started back in the sixties, the old townhall meetings, to expose these individuals that are not properly handling their responsibilities. We are going to have to force these individuals to be not only responsible, but accountable. They lack accountability.

Mr. HAWKINS. Let me yield to Mr. Washington.

Mr. WASHINGTON. Mr. Escarcega, on page 10 of your submission you outline briefly a proposed public-private linkage in reference to unemployment and how to abate it. Would you spell it out in more detail, please?

Mr. ESCARCEGA. The private sector must have the commitments, in my opinion, if we are to get where jobs are. Business has to be brought into a sense of commitment and civic responsibility. We have to call upon them to be seated at the planning table, to be at the meetings, to assist in developing program—like the Private Industry Council, they must serve as a resource for conducting business.

In the conducting of business, we see that the long-range future, the revitalization of neighborhoods and the industrial revitalizations are having a significant impact on minority people. If we are going to be dealing with small business, the local merchants, the wage subsidy for young people is a reality. Where are young persons going to get a real look at what the options are in the private sector if they are not going to get jobs in the private sector, whether it is small- or medium-sized business?

Right now present regulations prohibit that. We want to move toward that. We think that is healthy. There will have to be monitoring. There will have to be a look at that. I am not advocating windfall profits; I am talking about exposure. I am talking about the practical application of young people involved in learning business skills and survival in the labor market.

Mr. WASHINGTON. Do you see any role to be played for the so-called enterprise zones concept?

Mr. ESCARCEGA. I have a difficult time with that right now. There does not seem to be a clear definition of how big business is going to come flocking to this so-called tax incentive enterprise zone. I think they are looking for risk—their risk to come to an enterprise zone. I am not so sure it is not being used right now as a ploy to pacify people.

Well, you don't have to worry about the minority people because we have enterprise zones in every poor community. I do not see the Fortune 500 companies saying I want to go to an enterprise zone.

Mr. HAWKINS. If you would yield, Mr. Washington. I think the suggestion was made that the Bedford-Stuyvesant approach might offer a more viable alternative in connection with the question Mr. Washington has just asked you. How do you compare these two approaches, the Bedford-Stuyvesant and the economic development corporation approach, with the enterprise zone approach? Do you consider the Bedford-Stuyvesant model to be superior in its possibilities than the enterprise zone approach?

Mr. ESCARCEGA. It is a difficult question as stated, Mr. Congressman.

Mr. HAWKINS. You state it the way you want to.

Mr. ESCARCEGA. All right. I think if there is an enterprise zone and there is a Watts community labor action community, and you go there and take a significant part of the enterprise zone, you can rest assured that those community aspects of an enterprise zone are going to be adhered to. If an enterprise zone is going to be in the Bedford-Stuyvesant community, they have to be an integral part of developing that.

If big business, a Fortune 500 company, for example, comes and says, I want to manufacture here, the community development corporation, like Bedford-Stuyvesant or like TELACU, is there to say, we will find those businessmen that are going to deal with our community and we will prepare them, we will categorize them, we will help them and sometimes finance them to subcontract from you so that you can extend that economic impact.

Mr. HAWKINS. Why not have such a provision written into the enterprise zone legislation so as to assure that tie-in?

Mr. ESCARCEGA. We have suggested that. Presently TELACU is working on that.

Mr. HAWKINS. Thank you, Mr. Washington.

Mr. WASHINGTON. I gather, Mr. Chairman, you are suggesting as a discussion piece at least the two should be merged to a certain extent?

Mr. HAWKINS. Yes; I see no reason why in the enterprise zone legislation, since we are suggesting—and I think it has been accepted—that a training component be written in. Eventually that legislation will be coming to this subcommittee as well. At that point, we might certainly consider the suggestion of tying in such organizational participation such as TELACU, Watts labor community action or an acceptable community-based group.

Admission to the training, the economic aspects of an enterprise zone, must include the participation of CDC's. That is my point.

I was only using the training example to relate to this subcommittee. Without the training component, we would not have any jurisdiction. Getting the jurisdiction, we might conceiv-

ably make a contribution on drafting the suggestions along the line that you have proposed.

Mr. ESCARCEGA. Thank you.

Mr. WASHINGTON. Mr. Watkins, I would like you to comment on the same general question, but first of all, I have to agree with you in terms of our overall statement relative to the systematic turnoff of certain so-called target groups that were designed to be helped through various social programs.

The thing that disturbed me, for example, over recent months is that I would have been willing to bet my last dime—and there are not too many of those—that the students of this country would have risen up in righteous wrath and marched a la the Vietnam era upon the White House, upon Congress, and everything else politically moving to make it very clear that they resented very strongly what was being done, particularly in terms of higher education. That did not happen, which in a sense proves your point.

But with that backdrop, would you comment on the same question I posed to Mr. Escarcega?

Mr. WATKINS. On the free enterprise zone?

Mr. WASHINGTON. The whole gamut of it as modified by the chairman.

Mr. WATKINS. The Watts Community Labor Action Committee put in the hands of Congressman Hawkins back in November a proposal for a free enterprise zone. I think it was one of the first packages that was put together. My thinking, is that it is another approach to an urban redevelopment package, neighborhood strategic area, free enterprise zone, whatever you want to call it. It all basically is a new administration term for putting a label on an impact area.

Bedford-Stuyvesant basically was one of the first organizations in the United States to get impact money, but the problem was and still is in Bedford-Stuyvesant. While they are developing at the Sheffield Farms, for instance, the perimeters now has 4,000 vacant and abandoned buildings around that major development area. If there had been an enterprise zone, an MSA around the perimeters at the same time the Sheffield Farms was being developed, those brownstone buildings, et cetara could have been renovated.

It is my understanding now that people are beginning to come back into that area and do some renovating. I have seen some of the most beautiful structures in the country after the renovation of some of those brownstones.

I have a problem with thinking that there is any difference, that for instance, in Bunker Hill, to me that is a free enterprise zone. The harbor is a free enterprise zone because all of the incentives over the last 15, 20 years have been given to those areas for big business to come in.

Land may cost a $100 per square foot, but in order to influence the developers to come in, they write it down with taxpayers' money to a $1 a square foot. To me, there is no difference in an enterprise zone. Tax increment is proposed all the way from Century City to city hall. Great development occurs using the tax incentive-program. That is a free enterprise zone for those miles, and building it up.

The NSA, that could have basically been in the perimeters of the urban development five- or six-block area of Watts, went to Hollywood, because the person who is over housing set up in Los Angeles put the proposal together and gave it to HUD and that was approved for Hollywood, not for the deprived area of Watts.

When you look at the conditions and needs, the planning process in Watts has been some of the most negative planning I have ever seen in my life. The high school in Watts sits at the most negative end of the community. Jordan High sits next to the junkyards, General Motors, and the Cotton Curtain where a black couldn't even cross Alameda Street before 1965 to live. Where the elementary school is down there, junk is piled up in front of it as tall as this building.

This environment itself would build a negative kid. There is not one of you sitting in this room who would want your daughter to go to Jordan High School and walk that corridor down there.

Something has to be done in a community to clean up that kind of situation. There are only four housing projects in Watts. There's no reason for people to be corralled up like that. Those people had the right to safe, sanitary, and decent housing throughout the total community of Los Angeles.

This is what we have done to the people in the community. That is why we need a free enterprise zone in that area, so that some things can be done to change what has been done to them.

Mr. WASHINGTON. Ms. McFadden, would you comment on the same question?

Ms. MCFADDEN. Yes; I would like to comment on that, going back to, first of all, health care.

Very little has been done since 1965 in Watts as far as rebuilding Watts. We are telling the people we are going to close down the pharmacies, et cetera. You cannot find a pharmacy within a 5-mile radius of the hospital. You cannot find decent housing. People are living like animals, and there's no reason for it.

I feel the Reagan cuts, as well as the State cuts, are racist. They have bigoted overtones. There is no reason that one race of people have to suffer, be intimidated, or be forced out of employment because of runaway industry. No effort has been made to retrain these individuals. They are the last ones hired, the first ones fired. They are intimidated by law enforcement. If you do not have a record, you will by the time the police get out of the neighborhood.

Is it not ironic that a lot of the young Anglos, when they come out of training, the first station they would like to go to get the training is 77th Street, but it is difficult to see a black being sent out of training into Beverly Hills.

I feel that we are in a different type of slavery. We are in institutional slavery now. We are caught up in a situation, as Mr. Watkins said before, that we really have no motivation because everything we have been told, to go out and get an education, we did that. We have been told to join the mainstream of the work force. We did that. We have been told to cut back on family population. We did that.

All of the things that we were told to do, and we certainly minded very well, we did all of these things. And now we find ourselves in a worse condition than we were at the turn of the

century. We had more blacks at the turn of the century in more highly skilled jobs than we have today.

You go into even the menial tasks such as in restaurants, where at one time we had black maitre d's and waiters, I haven't seen one in so long I wouldn't recognize one if I saw one.

We are in a predicament. We look at the youth. They are not being trained in the schools because in most instances they bring the whites that are marking time just before retirement or the ones that have a poor record in the white area, and where do we send them but to Jordan High School and Jefferson High School to teach our children.

I have a good friend that is a teacher. She was told by her principal, "Keep them happy." These are elementary students. We are being faced with a lot of issues that something is going to have to be done, because you cannot expect people to go hungry, you cannot expect people to stand in lines for jobs, when the competition is so great that there are no jobs, when the minority and the blacks stand and say, I want a job; if you can't give me a job, give me bread to put on my table for my children. They are saying no, no more welfare, you can't even feed your children.

I tell you, we are bursting at the seams.

Mr. WASHINGTON. Mr. Handelman, in terms of bringing jobs to the locales where they are needed, you mentioned there should be a push in the private sector. You alluded to local control. What specifically were you driving at?

Mr. HANDELMAN. I think private industry has to be held accountable if they are going to get tax incentives the way the public agencies are held accountable with all the paperwork Mr. Watkins spoke about: commitment for jobs; how many will you commit to? Then it is easy to find the people that want to work. It is even easy to develop low-cost training programs. Most of it can be done on the job. But I think there has to be commitment.

One of the other areas is that there are many poor and needy people that do not necessarily live in all the poor and needy neighborhoods. They are spread out. There are pockets of poverty throughout Los Angeles. What frightens me about some of these programs—again, as Mr. Watkins said, they give a new designation.

In New York, if you are lucky enough to live in Bedford-Stuyvesant, you might have a chance, but in Brownsville you are in trouble. The same in Los Angeles. There are not enough programs in areas that need it. There are many poor people spread out in Los Angeles, in the valley, even in West Los Angeles, contrary to popular opinion. They are not eligible for any of the programs.

I think, No. 1, they have to develop programs that spread out throughout a city; but two, making the private sector commit the jobs. I think that you will not see that in the enterprise zone. I have looked at some of that legislation. I have not seen any wording that says you must commit. We would like you to come in, you will get these things, but where is it written you have to commit the certain number of jobs? That has to be part of that legislation.

Mr. WASHINGTON. Thank you, Mr. Chairman.

Mr. HAWKINS. The Chair would like to interrupt for just a minute to introduce one of the members of the subcommittee who

has come in since this panel was seated. We are delighted to have the distinguished colleague from New York, Congressman Ted Weiss, who is the third ranking member of the Subcommittee on Employment Opportunities, and certainly one of the most active members of both the subcommittee and the full Committee on Education and Labor.

Mr. Weiss, we are delighted to have you join the subcommittee. You will be called on in a few mintues in the round of questioning.

Mr. WEISS. Thank you, Mr. Chairman.

Mr. HAWKINS. If you wish to make a comment at this time, we would be delighted.

Mr. Watkins?

Mr. WATKINS. I wondered if I could be excused?

Mr. HAWKINS. Yes.

Mr. Peyser?

Perhaps Mr. Peyser may have a question before you leave, Mr. Watkins.

Mr. Weiss, if you have a question with respect to the testimony of Mr. Watkins, we will allow both of you to do so at this time.

Mr. PEYSER. Mr. Chairman, thank you.

Rather than a question, I think this panel has brought out probably the real critical and gut problem that is being faced here in Los Angeles and throughout the country. I would like to really make a statement to the panel rather than ask them a question at this point, because there is one thing that has been said repeatedly here.

It has been said the Reagan administration and President Reagan has brought about these cuts and I think it is important to recognize that the Congress of the United States brought about these cuts; that the U.S. Congress voted for these programs and there wasn't one Representative, one Republican Representative from the State of California who voted against any of these cuts. They all voted for them.

Now, traditionally, Members of Congress try to be nice to each other and never get involved in discussions of this nature; but I think what has happened over the last several weeks and months in the Congress has really eliminated the opportunity for those niceties, if we are really concerned about the future of this country.

Incidentally, the middle-income people of this country are not enemies here. I find that most middle-income people who understand what the problem is and who have it explained to them what the impacts of these programs are, are very upset as well, and one of the hopes may be that the middle income, which is far more vocal at this point, will be responding and will be speaking out. But I think you have to get the issue clarified as to who did what. It is the Congress that did this. It is the Congress that knuckled under to this administration. It is a party that voted lockstep—and I used to be a member of the Republican Party for 6 years in the Congress. I served as a Republican. I finally saw the light and became a Democrat. But aside from that, we even had Democrats, the critical votes were Democrats who voted for these cuts in the Congress.

So I think the—where the solution is going to lie is going to be in the motivation of the people who you speak for and the middle-income people of Los Angeles and of this community who do not want this kind of oppression and who really do want opportunities for people. It is going to be for them to vote, and voting is the answer.

In Mississippi we saw just a few weeks ago an issue, the voting rights issue, which the administration and a majority of Members in the Congress were sounding like they really wanted to put a handle on it and stop it. We saw a Democrat—and there had not been one elected in over 12 years in this district—come out on the voting rights issue, explain it, and get people to come out and vote, and won an election.

Immediately one of the more conservative Members of the Congress, who has been an opponent of this voting rights issue, is now out leading the fight supporting it, seeing it as an issue that cannot be won because of what the people have done, so now they are going to join it.

Well, I think that is great. I am delighted that he made the change. So I think that is very positive, but what I am saying to you is that your message is a brutal one that you have given here but a very accurate and very hard and very truthful statement, but you have to get that message over with your own people as well and with others in this area because you can bring about change.

There is no question that the committee you are talking to here is very supportive of everything you are standing for and what you are talking about. Everybody on this committee voted against every one of these cuts and fought for them to try to change them, but I am just saying you have to recognize you are not fighting the President of the United States. He has his philosophy. As President he ought to put it forward and he ought to do his best to get it passed. That is his job. That is what he was elected for. I happen to disagree with what he is doing, but if the majority of that Congress agrees, that is what is going to happen. That is what has happened.

So I am not trying to lecture you or anybody in the audience, but I am saying this is what has to be done.

If you would like to comment to me, that is fine. I really—it has to be understood it has been your people and your Representatives that have voted for these cuts on the Republican side of the House.

Mr. Chairman, I welcome anybody who wants to comment on what I have said. That is really what I think—the questions have been very clear.

Ms. McFADDEN. I would like to say something.

My Representatives happen to be sitting here facing me. Those Republicans are not ours. The reason I indicted President Reagan per se is that President Reagan is the one that went out and proselytized. Naturally he called his chips in. If that same President had gone out with a more liberal view, I do not think we would be facing the cuts that we have today.

That is all I am saying. If he had gone out with a positive attitude, I think we would have had more of a positive nature. He went out with a totally negative attitude and he is calling everybody and saying, this is what I want. Well, we have to face it. He is the President. So many people tend to vote and bend in that

direction. I will hold him responsible because if he had proselytized in a different fashion, he would have had converts saying Praise the Lord.

Mr. PEYSER. I do not mind you holding him responsible. I argued very hard against the President. The point is, if we are going to bring about change, it is not going to be with the President. That is really the issue.

Mr. HANDELMAN. I agree with what you say, Mr. Peyser, but I also think part of the problem was that many of our liberal Democratic congresspeople waited too long to try to reform some of the programs, and I think that is part of the problem as well.

Just voting for or against cuts really is not the issue in the future. I think everybody agrees that there are limited resources. I think the Democratic Party has to come up with ways of meeting the service needs of the people of this country, by developing programs that are more cost effective. I think we have all said that here. We should not try to cut and put millions of good people out of work.

I said that in the beginning, but I think it is important to emphasize it again. They do not realize they are doing anything wrong. They are not. They worked 25 years. They are part of good unions, civil service. If you are going to develop programs that meet the needs of the poor and also meet full employment needs for everybody, then I think we have to look at the bureaucracy and try to transfer some people into the private sector and develop programs that do a better job without costing a lot of money.

Mr. PEYSER. I do not think anybody disagrees with you. But I feel that that philosophy that you espouse is one of the great weaknesses now for the people that you are representing, the minute you start saying look, we should get rid of some of these programs, I think we should, too, I think we ought to cut them back, be tighter with them. I am in favor of that.

You want to give me a list of which programs you want to cut back?

We had people in the early part of the year coming to the Congress—and these are people in some of the education areas I represent—saying look, we realize things are tight, let's cut back on libraries. Then I have library people come in and say look, the bilingual program doesn't work anyway, let's cut back on bilingual. So the minute you start that, you start weakening the whole structure.

What I say we have to do in Congress, sure, we have to be tougher; oversight has to be better. We have to cut down. But you have to keep these programs viable, because they aren't bad programs, they are good programs. At least I believe they are.

Mr. HANDELMAN. Mr. Peyser, I didn't say cut back programs; I said cut back how they are operated. I think the Reagan administration cut back programs. I think everyone in this room knows a lot of the programs could be operated much better. Mr. Watkins alluded to a program where the administrative staff was 25 doing a good job and now it is 800.

Mr. PEYSER. I understand that. That represents an iota of what the program is. I would love to make those changes. I would work for them. I am sure the chairman would as well. They don't repre-

sent the major point of this issue or the major money we are talking about. You have to get the thing in the proper perspective.

Sure, we want to cut waste. Who does not want to cut waste and fraud? I am all for it. Every administration I know—and I have served under four Presidents now—have all said the same thing. But I do not see a heck of a lot of improvement. It doesn't take—I do not care whether they are Republicans or Democrats—it is a big job to do.

Right now we have a lot of people hurting and a lot more are going to hurt. I am not willing to get tied up in this process of how we are fooling around with some people in one administration role or another. I want the programs tighter. I want them preserved. I want the money for them.

Mr. HAWKINS. Mr. Watkins?

Mr. WATKINS. I was not going to get involved in the controversy going on. I do not think my statement started with Mr. Reagan. I have seen constant taking away from poor people for the past 20 years. So it isn't one administration, and it hasn't been one Congressman or Senator. I have seen a number of things.

I saw the march in 1968 with the cry for law and order that began to do a lot of things against poor people. In 1972, I watched another crusade that did things to the poor people. The first poor programs I knew that got cut in 1980 were those programs that were already scheduled to be cut by Mr. Carter, the public service employment programs.

I am not under any illusion about who is cutting programs. I was asking to be excused.

One of the things I wanted to say, if you gentlemen want to see what we are doing, if you have any time to spare this afternoon, Margaret Thatcher has sent one of her people. I am going to go down there and meet with her administrative assistant to show her what we are doing in Watts, because they say they want to try to get some of those things going in England to stop the burning and things they have going on. I have to go. She will be there until about 5 o'clock this evening if any of you gentlemen would like to come down to the Watts Labor Community Action group. We would be glad to have you.

Mr. HAWKINS. You are always optimistic, Ted.

Mr. WATKINS. Well, I worked under Mr. Nixon as President of the United States, Mr. Reagan as the Governor of the State of California, and Sam Yorty as the mayor of Los Angeles. I think I made it.

Mr. HAWKINS. Mr. Weiss?

Mr. WEISS. Thank you very much, Mr. Chairman.

First of all, let me express my appreciation to you for holding this series of hearings across the country. I think that nothing is more critical than for us to start exploring with people in communities across the Nation that will be affected by these budget cuts as to what the actual impact will be.

The Reagan administration believed that this would be sort of a bloodless and painless paper exercise and that people should not have to worry because the impact of the economic revitalization program would be that in a matter of a brief few years people are

going to be so well off that they would not mind at all the ordeal that we have put them through.

The problem is that every time we ask the Reagan administration what people will do in the interim, we do not get any answers at all. Those of you on the panel, and people like you across the country, are, of course, in a position to tell us how terrible that suffering is going to be, even assuming that the Reagan proposals were to work, until they begin to work.

I had occasion in the course of debate on the budget to call it a drop-dead-America budget. I was just not indulging in a rhetorical exercise. I do, in fact, believe people are going to die because of the cutbacks that are in the Reagan proposals. Whatever you can do to arouse our consciences and our consciousness, that of the President and that of the Congress as a whole I think is extremely worthwhile.

I thank you very much for your participation.

Mr. HAWKINS. Thank you.

I think Mr. Weiss has expressed the appreciation of the subcommittee for the very fine presentations that have been made.

I wish to thank the panel members and certainly to indicate to you the extreme pleasure of this subcommittee that you have so dramatically brought to the attention of the committee and placed in the record some of the actual conditions that do prevail. We are deeply thankful.

The next panel will consist of Mr. Robert Bristow and Mr. Robert Hotchkiss of the California Employment Development Department.

Welcome. Gentlemen, your prepared statement in its entirety will be placed in the record and we hope that you can give to us the highlights you have presented.

STATEMENT OF ROBERT BRISTOW, CHIEF DEPUTY DIRECTOR, CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT, SACRAMENTO, CALIF., ACCOMPANIED BY ROBERT HOTCHKISS, CHAIRMAN, EMPLOYMENT DATA AND RESERVE DIVISION

Mr. BRISTOW. I am Robert Bristow, the chief deputy director of the employment development department. I would like to thank you for the opportunity to appear before the committee.

Our director, Douglas Patino, regrets he is unable to attend today. He is back in Washington meeting with the Department of Labor officials on some of the very issues we are discussing today.

I have with me Robert Hotchkiss, Chief of EDD's employment data and reserve division.

We have been asked to briefly cover projected employment growth in California for 1980 to 1985 and review the impact the current Federal administration's budget reductions have had on EDD program operations.

As you indicated, we have submitted extensive testimony. We will try to highlight that testimony.

There are two major areas that I would like to highlight. First is the impact the proposed Comprehensive Employment and Training Act funding reductions have had on the department as approved in the Budget Reconciliation Act of 1981.

In fiscal year 1980-81, California received approximately $706 million under the various titles of CETA. Currently, under proposed budgeting, we will receive $420 million for 1981-82. Due to the many uncertainties as to where and how these cuts will take place, it is not possible to assess their full impact at this point.

However, we already have some experience with reductions in the area of public service employment that was mentioned earlier by one of the previous individuals testifying. That is, that the titles II(d) and VI Public Service Employment jobs under CETA are to be terminated by October 1, 1981.

What that means in California is that as of February 1981, there were approximately 32,500 people employed under the PSE program. As of June 30, 25,000 of these have been removed from the PSE payroll; 20,000 of these 25,000 have filed for unemployment insurance benefits.

Mr. HAWKINS. I am sorry, Mr. Bristow. We are a little confused on the figures. Would you repeat the amount to be received in 1981-1982 fiscal years compared with 1980-81?

Mr. BRISTOW. The proposed amount is approximately $420 million.

Mr. HAWKINS. $420 million? How much did you receive in 1980-81?

Mr. BRISTOW. $706 million.

Mr. HAWKINS. Which is a rather substantial reduction.

You said in February the PSE slots were 32,500, and in June 25,000 had been removed?

Mr. BRISTOW. That is correct, sir.

Mr. HAWKINS. Of that number——

Mr. BRISTOW. 20,000 had applied for unemployment insurance benefits.

There are still approximately 65,000 to 70,000 employed in the program, but even those positions will be terminated by October 1.

The Department has spent the past several months working very closely with the prime sponsors and local groups in an effort to transition these people as they are laid off into other employment. We spent over $400,000 of the Governor's grants moneys on a massive coordination effort to do just this.

The Department of Labor has set a goal for each of its departments to place at least 30 percent of those who registered for work with them in unsubsidized employment. As of July 31, we have had 9,400 who have registered in our field offices. We have placed 2,890 of them in subsidized employment, which is a 30-percent placement figure, at this point.

Mr. WASHINGTON. Would you repeat that figure?

Mr. BRISTOW. The number registered with our Department is 9,491. The number we have placed in employment is 2,890, and that represents a 30.4 placement rate.

Mr. HAWKINS. If I may interrupt, I see that is on page 16 of the prepared statement.

Mr. BRISTOW. Correct.

The second item I would like to discuss is the impact the Federal budget cuts have had on the delivery of employment services in the State of California. This is on page 17. While it is still too early to tell what the impacts are going to be, we do know funding cuts

translate into people cuts and staffing cuts. That translates into greater demands for the services the Department provides, both unemployment insurance and in placement services.

Over the past 2 years, our budget in the Department of Labor has been reduced approximately $36 million. Although our total budget is—for unemployment insurance and jobs services—is $280 million, a $36 million reduction still is very significant and cannot be absorbed in the Department without adversely affecting the services we provide to the public.

One of the areas where services have been impacted, covered on page 18 of the testimony, is that between October 1 of last year and October 1 of this year, coming up, we will reduce staffing in the Department by 2,300 positions. I am happy to say we are able to do this without laying off any permanent employees. However, the impact has been felt by our seasonal and intermittent employees.

Unfortunately, most of these employees are located in the field operations so the impact is felt by the client we serve. It is felt in longer lines in filing for unemployment insurance benefits and getting payments, and also is felt in less individualized services we provide to those in job placement activities.

Probably the most significant impact of the budget reductions has been the fact that we have had to reverse our previous policy of trying to locate smaller size offices out in the community where the jobs and the people are located.

Because of the budget cuts, we must now redirect our policy toward consolidating offices and getting back to the bigger, more centralized locations. For the first time in our history, we have had to close major field offices. It is on the top of page 19 that you can see between July 1 and December 31 of this year we will have closed 37 field offices around the State. In the Los Angeles area alone, we have consolidated 14 offices and had to terminate the automated job bank system.

Another area Bob Hotchkiss will mention in his testimony deals with our ability to deliver critical labor market information so we can plan for the future as to where the jobs are and what type of training is needed to fill them. The budget reductions have forced Bob to lay off many of his trained analysts, and their skill is being lost to the Department to provide this type of information.

The final impact I wanted to cover briefly today is the implementation of California's initiatives to deal with workers' needs in the eighties also being adversely affected. EDD's ability to assist California in taking the lead in dealing with plant closures, welfare reform, and the need for specialized retraining, cannot help but be hindered when inadequate funds exist for our basic programs. If the retraining and manpower programs in the eighties are to operate adequately, resources must be made available. However, because we feel at EDD we must always be moving forward, that just standing still, in effect, is going backward, we have had to divert some resources from our basic services such as job development and counseling, employer contacts, and individualized applicant service to support these new directions. The fact that we are taking this step in spite of the budget reductions, and in spite of the fact that the Employment Service budget has been frozen for the past

15 years, I feel indicates California's recognition of the changing employment needs of its citizens.

In conclusion, while most of my testimony has dealt with the problems resulting from the budget cuts, I would like to end it on a positive note.

EDD is the largest employment operation in the State and recognizes its goal and responsibility toward the unemployed, not only of California but of the Nation. I would like to take this opportunity to assure the committee that we take this responsibility seriously. We are part of a nationwide employment services system that, given the direction and support, can carry its weight and help in resolving the employment problems of the eighties.

That concludes my testimony.

[Prepared testimony of Robert Bristow and Robert Hotchkiss follows:]

PREPARED TESTIMONY OF ROBERT T. BRISTOW, CHIEF DEPUTY DIRECTOR AND ROBERT HOTCHKISS, CHIEF, EMPLOYMENT DATA AND RESEARCH DIVISION, EMPLOYMENT DEVELOPMENT DEPARTMENT, STATE OF CALIFORNIA

Good morning, I am Robert Bristow, Chief Deputy Director of the Employment Development Department (EDD). Thank you for the opportunity to appear here today. I am representing EDD Director Douglas Patino who presently is in Washington metting with Department of Labor officials. I have with me Robert Hotchkiss, Chief of EDD's Employment Data and Research Division. We have been asked to briefly cover projected employment growth in California for 1980–85, and review the impact the current Federal administration's budget reductions have had on EDD program operations.

The Employment Development Department is the agency responsible for the provision of employment services within the State of California. As such we recognize the need to assist in the development of national policy to expand employment opportunities in the 1980's.

Now, I would like to have Bob Hotchkiss cover projected employment growth in California.

The California economy can be viewed along two dimensions. First, it can be stratified into industries; retail trade, wholesale trade, services of various sorts, manufacturing of goods, and many other types of industry. Second, the economy can be viewed as a collection of occupations: Secretary, plumber, college professor, registered nurse, and so on. Thus, when asking where employment growth will be in the State, we can answer in terms of what industries are growing (or emerging) or in terms of what occupations are growing or emerging. Further, we can ask where geographically, growth is likely to occur.

Every two years, the Employment Development Department produces new projections of employment demand by industry and occupation for the State and for approximately 20 areas within the State. The most recent statewide projections were completed in 1979, and they are being revised in 1981. We believe that the data presented here are reasonably accurate in terms of the industry and occupation mix of employment demand for the first half of the 1980s. At a detailed level—we project employment for over 200 industries and almost 400 occupations—the 1981 projections may be revised, but analysis of social policy questions will be adequately served by the available data.

HOW MUCH WILL EMPLOYMENT DEMAND GROW IN THE FIRST HALF OF THE 1980'S

Growth in employment demand can be considered to derive from two sources: change in the needs of industry for workers and change in the rate at which workers leave the labor force (and therefore need to be replaced). We are currently projecting that total industry demand will grow at a rate of approximately 3 percent annually through 1985. Total job opportunities, including those due to replacement needs, are expected to be approximately 650,000 each year.

Total employment demand is, in actuality, a composite of the demand for workers in individual industries. Our projections reflect differing growth rates for each industry, so while employment as a whole is expected to grow at a fairly modest rate, there are industries that are expected to grow much faster and some that are expected to remain essentially unchanged.

WHICH INDUSTRIAL SECTORS WILL GROW THE FASTEST

If we compare the expected annual growth rate of the California economy as a whole with the expected growth rates of industry groups within the economy, we see that a number of diverse sectors are expected to outperform the average in terms of rates of creating new jobs. These industries are: Electrical machinery manufacturing; non-electrical machinery manufacturing; [1] Apparel and textile products manufacturing,[1] printing and publishing; retail trade, especially eating and drinking places; finance, insurance, and real estate; all services except Education and Private Household, but especially hotels and lodging places, temporary help, auto repair, and medical and other professional and related services, especially accounting and auditing.

These industry sectors are projected to be the fastest growing in the State between 1980 and 1985, but they do not necessarily reflect the sources of most new jobs during that time. It is important to keep in mind that if we want to know what jobs we should be preparing people for, it is not always productive to look only at so-called "growth" industries. In fact, most new jobs are a product of growth in very large industries. This is particularly important in the case of the Services industry sector, which is both large (over four million workers projected in California in 1985) and growing faster than average.

In making policy decisions regarding what jobs the California economy will demand in the future, then, it is not sufficient to look only for rapid rates of growth among different industries or industry groups. As we noted at the outset, the economy can be thought of as a collection of occupations, as well as a system of interrelated industries. To project employment demand, our economists first forecase employment demand for each industry in the target year. These forecasts are derived from statistical analysis of employment in each of the 200-plus industries in previous years, using federal forecasts of national industry employment, and using our own assumptions about future unemployment rates, economic growth, labor force participation rates, and projections of State population by age. Analysts familiar with the local economy in each projection area supplement the statistical econometric analysis with their knowledge of planned industrial expansion and contraction in each area. Our occupational analysts then translate these industry forecasts into projections of employment demand by occupation. Using the distribution of occupations (or "staffing pattern") in each industry found in the 1970 Census as a starting point, the occupational analysts adjust the staffing patterns for changes that have occurred since that time. This is done partly through the use of factors provided to us by the Bureau of Labor Statistics and partly through our own occupational research. Since each industry has a unique staffing pattern, differing growth rates among industries can, and often do, have differing effects on overall occupational demand.

WHICH OCCUPATIONS WILL GROW THE FASTEST

Based on our forecasts of industry employment demand and changes in staffing patterns within each industry, the fifteen occupations (out of 377 census occupations) that will offer the most job opportunities between 1980 and 1958 are as follows:

Sales workers	48,000
Managers and administrators	43,000
Secretaries	38,000
Bookeepers, account clerks	16,000
Miscellaneous clerical workers	13,000
Janitors	13,000
Cooks	12,000
Waiters and waitresses	12,000
Cashiers	12,000
Assemblers	11,000
Real estate agents and brokers	11,000
Blue collar supervisors ("foremen")	11,000
Typists	10,000
Registered nurses	9,000
Accountants	9,000

These fifteen occupations account for approximately 40 percent of job openings that will occur during the next five years. These job opening are predominantly not

[1] Manufacturing is divided into these two categories in the national Standard Industrial Classification system maintained by the Department of Commerce.

due to meteoric growth in a few industries, nor are they due primarily to radical changes in staffing patterns within industries. Most job openings are due to expansion of existing large industry sectors and to replacement needs generated by workers leaving the labor force.

The occupations with the greatest expected rates of growth through 1985 are generally much smaller, in terms of the number of job opportunities and in terms of total employment. They are:

Occupation	Average annual growth rate (percent)	Average annual job opportunities
Baggage porters and bellhops	11.7	550
Miscellaneous medical and health workers health workers [1]	11,7	220
Lodging cleaners, except private household	9.5	3,750
Dental hygienists	9.5	760
Miscellaneous clerical workers [1]	8.4	13,120
Data Processing machine repairers	8.3	1,050
Child care workers, except private household	7.9	3,300
Miscellaneous social scientists [1]	7.0	90
Medical secretaries	6.6	1,690
Legal secretaries	6.5	2,770
Advertising agents and advertising sales workers	6.0	1,270
Office machine repairers	6.0	570
Flight attendants	5.9	1,340
Air conditions, heating, and refrigeration mechanics	5.8	1,580
Buyers, wholesale and retail	5.7	3,560

[1] These miscellaneous categories include large numbers of diverse occupations, none of which is in itself very large, which do not fall into any of the other occupational codes.

These fifteen fast-growing occupations account for approximately 5 percent of the job openings that will occur during the first half of the 1980's.

What geographical areas in California will experience the most growth

Certainly the largest metropolitan areas will have the lion's share of the ob openings in the foreseeable future. Los Angeles and San Francisco-Oakland, because of their size, will have 40 percent of job opening, but because of their economic stability their projected 1.9 percent growth rates will be outstripped in terms of growth rates by smaller areas. The major areas in the State will be: Sacramento—3.9 percent; Riverside-San Bernardino-Ontario—3.6 percent; San Diego—3 percent; and Fresno—3.2 percent.

WHAT IS EDD DOING TO ANTICIPATE GROWING AND EMERGING OCCUPATIONS AND INDUSTRIES

EDD maintains four regional Labor Market Information offices in the State. Each office has analysts assigned to each county, and these labor market analysts stay in close touch with the economic and industrial developments in their areas, allowing the Department to anticipate and react quickly to changing demands in the job market.

As examples, our analysts report that:

In the San Francisco-Oakland area we have lost over 1,000 jobs in auto and truck manufacturing since 1980, but we anticipate 900 new jobs in research and development in the petroleum industry.

In the San Jose area, we expecf 2,000 more defense-related jobs than we projected two years ago. These jobs will largely be for assemblers, checkers, and examiners.

In the Vallejo area, if Mare Island receives an upcoming submarine-building contract, over 5,000 jobs for plumbers, machinists, clerks, welders, shipfitters, checkers, examiners, and other occupations will be generated.

In the Sacramento area, and Northern California in general, there will be rapid growth in the electronics industry, especially for electronic assemblers and technicians.

In the Los Angeles area, our analysts anticipate a marked increase in demand for computer programmers, systems analysts, data-coder operators (people who key-enter data directly on to computer tapes), and medical technicians. Our analysts are seeing a trend in which professionals are giving up some of their duties to assistants, and thereby creating new openings for people in existing occupations. For example, there is a trend toward much of the work traditionally performed by

doctors or nurses now being turned over to medical assistants. The Los Angeles area is also expecting increased R&D (research and development) activity related to defense spending. R&D work generally has spin-off effects on other work, especially the machine-operator occupations.

San Diego is experiencing a growth in demand for electronic engineers and technicians, data-coder operators, machinists, cooks, and nurses. While some of the growth is related to increased aerospace and defense work, other growth is due to general economic vigor in the area.

Orange County, Santa Barbara County, and the San Bernardino area are experiencing a rapid increase in demand for workers in the health occupations: RNs, LVNs, and EKG technicians in particular. Orange County is finding an increasing demand for various types of engineers, especially biochemical, mechanical, and electronic engineers. Numerical-control-machine (a type of "robot" that has been in use for years) operators are in high demand in Orange County.

What EDD refers to as the Central Region (San Luis Obispo, Santa Barbara, Ventura, Kern, and a few other Central Valley counties) is finding rapid growth in the printing and publishing industries. These industries, as they evolve technologically, are requiring increasing numbers of word processing operators and terminal-system operators. This area has a growing computer industry, which has an effect on other industries that use computers, such as the insurance industry. As computers become more accessible, the duties of office personnel change to fit the needs and abilities of the computer.

The bulk of new jobs are related to industry growth, rather than industry change. A striking example is in the petroleum industry. Partially as a result of high energy prices, this "old" industry is devoting enormous quantities of money to expanding its supplies. This means that the 3,756 oil drilling rigs currently in existence in the United States are expected to double by 1990. Since each rig employs six workers per shift and operates four 6-hour shifts every day of the week, a very large number of new job openings will be generated, and after those rigs have found oil, thousands of new oil field mechanics and equipment operators will be needed.

Every two years the Employment Development Department publishes for the State and approximately twenty regions within the State five-year projections of employment demand by industry and occupation. We also publish quarterly "Labor Market Supply and Demand" reports for the State and areas within the State. These reports provide the most current short-term outlook for jobs in various occupations, generally the occupations most in demand.

EDD is also involved with, or has applied for funding for, a number of projects that anticipate the effects of changing technology and attempt to ameliorate the effects of those changes on workers who are displaced from their jobs because of change. We have a project that provides information on alternative employers and occupations to workers affected by large-scale layoffs and plant closures. We will be providing occupational demand information as part of a project with the Department of Economic and Business Development, which will assess the impact of changing and emerging technology. And, if funded, the Department will engage in an independent study on the effects of emerging technologies and a study to develop new techniques for accomplishing supply/demand analyses.

However, it appears that there will be a decrease in our ability to generate and utilize labor market information in the near future. Unfortunately, we are expecting a 20-25 percent reduction in our Employment Service Labor Market Information grant from the Department of Labor, effective October 1, 1981. As this and our other programs are cut, resources must be shifted to provide the basic Employment Service and Unemployment Insurance services required by statute. This shift will mean a reduction in resources directed to the development of innovative and proactive labor market data.

Yet, in spite of these reductions, the Department sees as a major goal the easing of the transition of the labor force into the industry demands of the 1980s. This entails not only providing Unemployment Insurance to those who are displaced and employment services to those looking for work, but anticipating the needs of the economy and assisting educators, communities, and job-seekers in planning for those needs. Our commitment to these goals is strong and, within the resources allocated to us, we will do our best to meet the needs of the work force and of business.

We have attached some material regarding projected labor force participation. This material was prepared by National Governor's Association staff, using Bureau of Labor Statistics data. It provides a good national perspective on changes in our labor force during the 1980's. However, we must recognize that the national labor market is made up of hundreds of local labor markets. The programs that are directed to the employment and labor needs of the 1980s will be national programs only in the most general sense. There will be thousands of local training and

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education programs which are the backbone of any national effort. In view of the diversity and complexity of the national economy and California's economy, we believe that only a careful blending of national, state, and local efforts can hope to meet the needs of industry and the labor force. It is here that our greatest concern arises: these local programs must have timely, current, accurate and local labor market information. However, the reductions in the Department of Labor programs will ensure a devastating reduction in our ability to provide this information. We believe that this hardly serves the public interest, and that careful consideration should be given to the maintenance of a strong state and local labor market information program.

There are two major areas I will discuss regarding the impact of Federal budget reductions on EDD operations.

First, is the impact of the proposed Comprehensive Employment and Training Act (CETA) funding reductions approved in the Budget Reconciliation Act of 1981.

In fiscal year 1980-81 California received approximately $706 million under the various titles of the Comprehensive Employment and Training Act, based on California receiving 10 percent of the Federal budget reconciliation conference agreement. Due to the many uncertainties as to how much and where the CETA cuts will take place, it is not possible to assess the full impact of their reduction. However, we have already had some experiences with reductions in the area of Public Service Employment (Title II-D and VI) the impact is well documented.

All CETA PSE jobs will be eliminated by October 1, 1981. In California 32,575 persons working in PSE program jobs have been or will be laid off between March 31, and October 1, 1981.

On a statewide basis, it has been our experience that approximately 50 percent of all PSE participants successfully transition into unsubsidized employment.

Historically PSE employees who have not transitioned into private sector employment either returned to public assistance or unemployment insurance claimant status.

Services performed by CETA workers will be curtailed since local public entities are unlikely to have adequate resources to replace the CETA workers. In addition to the obvious social and economic impact on the PSE participants, the State will experience a sharp curtailment of services, at a time when state and local public resources are diminishing. Services reduced include: Health aid services including programs for drug abuse, alcoholism, nutrition, rape crisis, rat infestation; Child care services; Transportation services; Law enforcement services; Recreation and cultural services; Clerical services for government agencies; Family counseling services including programs for battered women and abused children; Senior citizen services; Services for the disabled; School and classroom aides; Home repair and weatherization; Library services; and Community maintenance services

Agencies that will lose these services include: Schools (including community colleges); State and local government committees including police and fire districts, libraries, parks and recreation departments; Hospitals and community health centers; Family service centers and senior citizen centers; Local housing authorities; and Community Based Organizations and non-profit agencies (Community Action Programs).

Decreases in services provided by agencies will occur for handicapped, youth, minorities, women, older workers, persons of limited English language proficiency, veterans and public assistance recipients. Both urban and rural areas will be hard hit without resources to provide the kinds of services provided by PSE participants.

The economic impact of these layoffs will be felt in communities throughout the state. Tax revenues to state and local governments will be reduced due to wage losses.

Increases in application for Food Stamps and other public assistance will increase the workload for the responsible agencies and for the WIN program.

An increase in demand for more training will occur since the type of jobs performed by CETA participants are primarily in public sector services occupations, and, therefore, transition to similar employment in the private sector is unlikely. The current transition rate to unsubsidized employment for workers performing these public sector service functions (except clerical and maintenance) runs around 20 percent. Specific skills training to aid the transition will be needed by many CETA participants.

For the past several months EDD has been working to place those PSE participants already laid off. The current status of our efforts is as follows:

In February 1981, there were about 32,500 people employed in PSE program in California.

As of June 30, 1981, about 25,000 have been removed from PSE payrolls. Some 6,500 are still employed.

Over $400,000 of the Governor's Grants moneys has been spent on a massive coordination effort between EDD and Prime Sponsors. The transitioning of the PSE participant has been given a high priority.

All persons who need employment services are urged to register with EDD for employment assistance. Generally, those who have registered are those with the least training, often with other barriers to employment such as transportation or child care problems. They are the participants that have been unable to make the transition to private employment without special assistance.

The Department of Labor goal for State Employment Security Agencies, such as EDD, is to find employment for at least 30 percent of those who register for employment assistance.

EDD workload for the period March 1 to July 31, 1981, is as follows:

Registered with EDD, 9,491; placed in a job, 2,890; and percentage placed, 30.4 percent.

These figures reflect specific criteria for placement credit. Positive terminations such as return to school are not reported. Our figures include only those persons referred and placed by EDD and those who found their own jobs after receiving special employment assistance, including: Job search workshops; job development; counseling; job search assistance; and employability assessment.

The 65 percent reemployment rate placement figures released by Department of Labor are direct or indirect placement, which include: people transitioned into unsubsidized government employment, placed into employment in private industry, entered military, returned to school, transferred to other CETA training, entered a training program not funded by CETA, or found employment on their own after CETA participation. The EDD reporting system has information only on CETA participants who register with our Department for services.

The second item I would like to discuss is the impact of the Federal budget cuts on the delivery of employment and training services and on employment in California.

It is still too early to tell to what extent the multitude of proposed reductions will impact EDD. It is known, however, that any reduction in funding for any program usually translates into people out of work, and people out of work translates into greater demands for the unemployment insurance and job placement services of EDD.

EDD, although no different from other impacted governmental agencies, is facing the coming fiscal year with substantially fewer dollars to provide the same needed services. This fiscal year we faced a budget underfunding of $18 million. While we do not yet know the extent of next year's budget reductions, it appears it will be an additional $18–20 million. Even a department as large as EDD with a total Unemployment Insurance and Job Services budget of $280 million cannot absorb $36 million in budget reductions within a two year period without there being an adverse impact on the services we provide to the public.

Reduction of services to the public has occurred in the following areas:

As of October 1 of this year we will be operating with 2,300 less positions than on October 1 of last year. Many of the positions in our Department were filled by intermittent employees. This means that several individuals, each working part-time, made up one full-time position. Thus, the number of staff not working is greater than the 2,300 positions. Because the majority of EDD's staff is located in the field offices, the majority of these staff reductions occurred in the field operations. The result is longer lines and less individualized service.

We consolidated our administrative overhead by reducing our Operations Branch regional offices from five to three. While this reduced support costs, it also reduced the availability of technical assistance to our field offices.

We had to reverse EDD's previous policy of locating smaller size field offices in more locations closer to the public we serve. We must now follow a policy directed toward the consolidation of offices. As a result, for the first time in EDD history, we have had to close major field offices. Between July 1 and December 31, 1981, EDD will have closed 37 field offices around the State. In the Los Angeles area alone we have consolidated 14 offices and terminated the Automated Job Bank system.

Even after a consolidation of that magnitude, we fully expect a second round of consolidations in order to operate within the anticipated level of resources.

As Bob Hotchkiss mentioned, our ability to develop the critical labor market information needed for informal planning has been reduced. Bob currently is reducing the number of analysts working on developing such information. This pool of trained analysts is being lost either to other departments or other operations within EDD. At a time when employment and training directions depend upon the ability to project future needs, these cuts are particularly damaging to our efforts.

Implementation of California's initiatives to deal with the worker's needs of the 1980's are also being adversely impacted. EDD's ability to assist California in taking the lead in dealing with plant closures, welfare reform, and retraining emphasis cannot help but be hindered when inadequate funds exist for our basic programs. If the retraining and manpower programs of the 1980's are to be operated adequately, resources must be made available.

Therefore, EDD, in order to always be moving forward, has already begun to divert some resources from basic services such as job development, counseling, employer contacts, and individualized applicant service to support these new directions. The fact these resources are being diverted in spite of the standstill budget, the Employment Services Program has had for the last 15 years, indicates California's recognition of the changing employment needs of its citizens.

In conclusion, while most of my testimony has dealt with the problems created by the current and proposed budget reductions, I would like to end my testimony on a positive note. EDD, as the largest employment operation in the most populous state, recognizes its role and responsibility toward the unemployed and underemployed of not only California but the Nation. I would like to take this opportunity to personally assure you we do not take this responsibility lightly. We are part of a Nationwide employment service system that, given direction and support, can more than carry its weight in contributing to the national effort to resolve employment problems of the 1980's.

[Attachment to EDD Testimony]

The following is an excerpt from the Employment and Training Subcommittee report submitted for review by the subcommittee in Wilmington, Delaware, on June 29–30, 1981.

B. TRENDS IN EMPLOYMENT

The need for this reordering is straightforward. The probability by the late 1980's of severe labor shortages is high. The Joint Economic Committee of the Congress and others are projecting that by the turn of the century this nation may not be able to fill its jobs, even assuming an economic growth rate of only one or two percent per year. The reason for this projected phenomenon is the phasing down of the impact of the post-World War II baby boom and our presently declining birthrate. The potential for severe skill shortages in the coming decade is further compounded by the changing composition of the labor force, and the need to make that labor force marketable to the employer community. If this nation is to maintain a high level of productivity without importing workers from other countries, it is going to have to prepare the total labor force available to perform the increasingly technical jobs that are and will continue to be emerging.

In 1970, 4.9 percent of the labor force was unemployed; in 1981, that proportion has grown to 7.3 percent of the labor force. A substantial majority of these persons are unemployed because of lack of appropriate education and skills and their numbers are likely to grow as jobs increasingly require higher levels of technical proficiency. An increasing number of the unemployed are workers who have lost jobs in which they were skilled, their jobs terminated due to increased automation and mechanization, energy constraints, relocation of jobs to other parts of the country or to other nations, or foreign competition. The number of displaced workers is likely to increase as industry seeks through modernization to compete with other countries.

In addition to the growing problem of unemployed individuals, the phenomenon of the underemployed worker must also be considered. According to the Bureau of Labor Statistics, in 1970, some 2,443,000 individuals were working part time in all occupations, but were seeking full-time work; by 1980, this figure had climbed to 4,214,000. In addition, a significant number of individuals worked full time year-round yet still resided in families with incomes below the poverty level (1,624,000 in 1970 and 1,349,000 in 1979). Therefore, although the underemployed have at least penetrated the competitive labor market, they, like the unemployed, can be hardly characterized as having reached their full productive potential.

The irony of the unemployment and underemployment rates is all the more apparent when examined in light of the employment/population ratio; it is inconsistent to have sustained growth in employment opportunities coupled with an increasing rate of unemployment and underemployment. During, for example, the period 1977–80 there was real growth in terms of the number of jobs opened and filled (from 82,471,000 in calendar year 1977 to 90,657,000 in calendar year 1980), while unemployment during this same period still hovered between 6 percent and 7 percent. The Bureau of Labor Statistics projects that between 1978 and 1980, some

66,400,000 job openings will occur—19,600,000 of which will be new jobs apart from replacement factors.

At the same time new jobs are being created, the labor intensive jobs that have absorbed unskilled and semi-skilled workers are being contracted out to developing industrial countries. That trend is not likely to reverse itself, and should not. The expectation of U.S. workers with respect to wages and working conditions even now causes the most undesirable jobs in this country to go unfilled, or if filled, to be filled by foreign nationals, documented and not.

Considerations of unemployment and underemployment in relation to job generation, wage and work conditions, and exportation of jobs are not the only issues facing employment and training policy makers. Concomitant to the trends noted above, Bureau of Labor Statistics' projections on labor force participation, shown in Table 1, support the argument of potential worker shortages in the coming decades. Although there will be a modest absolute increase in labor force participation from 102,908,000 in 1979 to 122,375,000 in 1990 to 127,452,000 in 1995, the relative increase in labor force participation will decline dramatically from about 19 percent (1979–90) to 4 percent (1990–95). Even adjusting for the different number of years in the compared time periods, the decreasing labor force participation trend is apparent.

It is also projected that the composition of the labor force will change over time. In light of economic factors and changing perceptions of the family unit, it is not surprising that the proportion of women participating in the labor force is expected to increase from 42 percent (1979) to 46 percent (1990) to 47 percent (1995). Declining birthrates are reflected in projections on labor force participation for youth between the ages of 16 and 24. Youth will constitute only 17 percent of total participants in the labor force by 1995 as compared with 18 (25–54) in the labor force is expected to increase dramatically between 1979 and 1990 (from 61 percent to 70 percent) but then level off to 72 percent as the impact of the baby boom decelerates. Older workers (55+) represented about 14 percent of total labor force participants in 1979, and their proportion will decline to 12 percent in 1990 and 11 percent in 1995. The proportion of minorities participating in the labor force is expected to rise consistently from 12 percent in 1979 to 13 percent and 14 percent in 1990 and 1995, respectively.

TABLE 1.—CIVILIAN LABOR FORCE PARTICIPATION

Population group	1979		1990 (projected)		1995 (projected)	
	Number	Percent	Number	Percent	Number	Percent
Males	59,517,000	58	65,880,000	54	67,611,000	53
Females	43,391,000	42	56,495,000	46	59,931,000	47
Youth (16–24)	25,280,000	25	22,607,000	18	21,846,000	17
Prime Age (25–54)	63,336,000	61	85,616,000	70	91,779,000	72
Older Workers (53+)	14,292,000	14	14,152,000	12	13,917,000	11
Whites (16+)	90,602,000	88	105,867,000	87	109,292,000	86
Blacks and Others (16+)	12,306,000	12	16,508,000	13	18,250,000	14
Total	102,908,000	100	122,375,000	100	127,542,000	100

Source: Howard N. Fullerton, Jr. "The 1995 labor force: a first look," Monthly Labor Review, December 1980, p. 16, table 5 (projected middle growth).

Increasingly, it is evident that the primary persons who can fill the projected worker shortages will have to be drawn from that part of the population that is at risk and traditionally served by the "synthetic" system or from those who have been displaced by shifts in the industrial base or in occupational demand. The point is simple. If we are to promise a share of the good life to everyone in this country, we shall have to appropriately educate (or retrain) all persons so that they fill and command the jobs this nation produces. Failure to do so will not only increase the costs of welfare, health, crime, and social unrest, but will also make it increasingly difficult for this nation and its taxpayers to bear those costs. The urgency of this educational task is increased by the fact that a declining birth rate will increasingly limit the number of potential workers available as we approach the end of this century. The issue is made all the more problematic due to the increasingly technical nature of jobs and shifts in job location.

C. TRENDS IN THE NATURE OF WORK AND JOB LOCATION

Estimates developed by the Bureau of Labor Statistics for Projected Growth by Occupation (1978–1990) generally support the premise of the growing dominance of the higher skilled, more technical occupations in the coming decade. The single outstanding exception is, as anticipated, substantial growth in the service sector (see Table 2).

TABLE 2.—PROJECTED GROWTH BY OCCUPATION

	1978 (actual employed)	1990 (projected)	Change (percent)
Professional and technical	14,245,000	16,900,000	+19
Managers and administrators (except farmers)	10.105,000	12,200,000	+21
Sales	5,951,000	7,600,000	+28
Clerical	16,904,000	21,700,000	+28
Crafts	12,386,000	14,900,000	+20
Operatives (except transport)	10,875,000	12,500,000	+15
Transport operatives	3,541,000	4,100,000	+16
Nonfarm laborers	4,729,000	5,100,000	+8
Private household workers	1,162,000	900,000	−23
Other service workers	11,677,000	15,800,000	+35
Farmworkers	2,798,000	2,400,000	−14
Total	94,373,000	114,100,000	

Nor is the shift in our labor market brought about by technology and a world market the only shift with which we must contend over the next twenty years. As this country increasingly moves away from production of durable goods and toward those industries that are based on the production, communication, and application of information, we are seeing jobs in the old industrial centers of the North and East decline while the Sun Belt with its warm climate, recreational and leisure-time attractions, and traditionally weaker labor organization grows rapidly. Between 1970 and 1980, the number of employed individuals in the North Central section of the nation (Illinois, Indiana, Michigan, Wisconsin, Ohio, Iowa, Kansas, Minnesota, Missouri, Nebraska, and the Dakotas) grew from 21,650,000 to 26,011,000 individuals. The entire Northeast section (the New England states, New York, New Jersey, and Pennsylvania) registered a relatively modest increase from 19,271,000 to 21,473,000. This represents a total increase for both sections of 6,563,000 employed individuals.

By contrast, the statistics for the eleven states that constitute the Sun Belt reflect significant individual increases in numbers of employed individuals as well as a greater total increase in employed individuals relative to those registered for the greater number of Northwest and North Central states:

	1970	1980	Increase
Alabama	1,193,000	1,498,000	305,000
Florida	2,426,000	3,691,000	1,265,000
Mississippi	719,000	947,000	228,000
Arkansas	650,000	895,000	245,000
Lourisiana	1,158,000	1,608,000	450,000
Oklahoma	928,000	1,261,000	333,000
Texas	4,142,000	6,075,000	1,933,000
New Mexico	323,000	502,000	179,000
Arizona	614,000	1,051,000	437,000
Nevada	198,000	353,000	155,000
California	7,485,000	10,443,000	2,958,000

Whether or not this geographic dislocation will continue over the next 20 years depends not only on the availability of workers and jobs, but debate over population distribution, the availability of energy and natural resources, and questions of environmental quality that the marketplace alone may not be sufficient to resolve.

Mr. HAWKINS. Suppose we hear from Mr. Hotchkiss first and then direct the questions to the two of you?

STATEMENT OF ROBERT HOTCHKISS, CHAIRMAN, EMPLOYMENT DATA AND RESERVE DIVISION, CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT, SACRAMENTO, CALIF.

Mr. HOTCHKISS. I appreciate this opportunity.

This is one of the responsibilities of the Employment Development Department, to provide information on employment opportunities to the public.

Every 2 years the Employment Development Department produces new projections of employment demand by industry and occupation for more than 200 industries in almost 400 occupations.

We provide projections of employment demand for 200 industries and almost 400 occupations for the State in 23 areas within the State.

The most recent statewide projections were completed in 1979 and they are being revised this year. We believe that the data presented in these projections are accurate in terms of California industry and occupational employment for the first half of the 1980's.

In order to project employment demand, our committees first forecast employment demand for each industry in the target year, which in this case is 1985. These forecasts are derived from statistical analyses of employment in 200-plus industry categories using Federal forecasts of national industry employment and using our own assumptions about future unemployment rates, economic growth, labor force participation rates, projections of State population.

Analysts familiar with the local economy in each projection area supplement the statistical economic analysis with their knowledge of future industrial expansion and contraction in each area. Our occupation analysts then translate these industry forecasts into projections of employment demand by occupation.

Using the distribution of occupations or the staffing patterns in each industry found in the 1970 census, the occupational analysts adjust these staffing patterns for changes that have occurred since the census. This is done partly through factors provided by the Bureau of Labor Statistics and partly through our own occupational research. Since industry has a unique staffing pattern, different growth rates among industries can and do have differing effects on occupational employment.

In addition to these long-term projections of employment opportunities, we provide shorter term assessments of the labor market and of the employment demand. We provide for 40 areas within the State quarterly analyses of supply and demand. We also provide for 40 areas of the State on an annual basis assessment of the industrial and occupational changes taking place. And we do many analyses on special requests; for example, for CETA prime sponsors, training needs assessments, that is, the opportunities that will be available in particular occupations.

All of these differing assessments of employment opportunities of demand in specific industries in particular occupations are directed to the same basic question which is asked by every job seeker, by

every student, by every program operator, by every occupational program teacher, and that is, "Where are the jobs? Where will the jobs be?"

I recently reviewed some material regarding projected labor force participation. It provides a good national perspective on changes in the national labor force during the coming decade. However, I believe we must recognize that the national labor market is made up of hundreds of local labor markets.

Programs that are directed to the employment and labor needs of the 1980's will be national programs but will be operated at the local level. There will be thousands of these programs. It is here that our greatest concern arises regarding labor market information.

These local programs must have timely, current, accurate local labor market information, particularly regarding employment opportunities. However, the reduction in the Department of Labor programs will assure a devastating reduction in our ability to provide this information.

For example, it appears at this time that I will not be able to revise our employment projections in the coming fiscal year.

We believe that this does not serve the public interest and that careful consideration should be given to the maintenance of a strong State and local Federal market information program.

Thank you. That concludes my comments.

Mr. HAWKINS. Thank you.

With respect to the statistical presentation basically on page 16, the percentage placed that is used is 30.4 percent. I assume that refers to the percentage placed of those who registered with EDD?

Mr. BRISTOW. That is correct.

Mr. HAWKINS. However, you indicated the number of CETA jobs as of February 1981 had been 32,500. So if you count the number that was actually on CETA as of that month, and use that as a base for determining how many had been placed, what significance is the 30.4 percent?

Mr. BRISTOW. Many of the individuals transitioned into employment from the jobs that they were serving in the PSE program. Also, not all the individuals did come in and register with our office. They were laid off from the parent organization, and although they were given directions and instructions as to how to come in, they never have come in. So basically the 9,400 are those that have come into our office and registered for services and have received job placement activities through our offices.

This is the Department of Labor's goal of placing 30 percent of these individuals. Obviously 30 percent of those whom we deal with rather than 30 percent of the universe.

Mr. HAWKINS. But the impression I think is given to the public that 30 percent of those who had been on CETA had been placed in unsubsidized jobs. Yet you indicate that out of the 25,000 as of June, who have been removed, 20,000 of those applied for unemployment insurance.

Mr. BRISTOW. The number that is placed, Congressman, is the number placed through our offices. There are others that secured employment on their own. We do not have the total figures on

those. So we can only speak to those who came through our operations.

Mr. HAWKINS. Is it accurate to say that 20,000 have applied for unemployment insurance, certainly you are not counting them as having been placed?

Mr. BRISTOW. No, sir.

Mr. HAWKINS. So that the rate of placement since CETA has been discontinued is extremely low. Certainly it is less than 30,000, and it certainly is accurate to say that the majority, if not three-fourths of those who had been on CETA, are now probably on unemployment insurance; is that not so?

Mr. BRISTOW. Or on welfare.

Mr. HAWKINS. One or the other.

Mr. BRISTOW. That is correct.

Mr. HAWKINS. So CETA has a much better record than that? According to the Department of Labor, the placement record was fairly close to 60 percent.

Mr. BRISTOW. Of course, sir, we are still working with a group of individuals. The placement percentages have been going up over the past several months from 12 percent to 30 percent. We continue to foresee an increase in the number we place. That is only as of this particular point in time.

Mr. HAWKINS. We certainly hope that is true. The impression was given at the time the budget cuts were made that indicated that these individuals who were being eliminated from CETA were finding jobs elsewhere. I am sure that the Congress labored under that impression despite the fact that this committee and others tried to convey quite the opposite, but the Department of Labor has been using that figure of 60-some-odd percent.

Mr. BRISTOW. On page 17 we have that.

Mr. HAWKINS. On page 17; that is the thing that has been circulated. It seems to me that is extremely misleading. Hopefully those individuals will be placed, but in the meantime, is it not true that we are also experiencing some layoffs of people not connected with CETA?

Mr. BRISTOW. Being impacted by the reduction in funding? Certainly there is a ripple effect that goes down through the economy; that is correct.

On page 17 where we tried to show why the Department of Labor figures, where they quoted 65 percent, there are a lot of qualifiers as you can see in there in what they put into their figures. Our figures are based on individuals placed in unsubsidized employment. They definitely are people in jobs, not people that have returned to another program or gone back to school or whatever categories the Department of Labor used to come up with their figures. So there is a discrepancy there.

Mr. HAWKINS. There is a very huge discrepancy, in fact. It almost borders on criminality in my opinion. When you begin to talk in terms of human beings giving the impression that, all right, Members of Congress, you go ahead; these people are finding jobs, and why should you be creating phony jobs for individuals who if you let them go will fly on their own and do very well. It just seems to me that this is completely false. I might use stronger terms, but let me be constrained to be a little more objective.

I just do not see the difference. Have you any indication what has happened to the 20,000 who have applied for unemployment insurance or who may be on welfare?

Mr. BRISTOW. Not at this time, I do not, sir. I do want to say, though, that that was one of the reasons we appreciated the opportunity to come and testify, to clarify the difference in these percentages of placements. What has been publicized in the newspapers previously is not what California is experiencing.

Mr. HAWKINS. It definitely is not. We have not been able to get the Department of Labor itself, even in Washington, before this subcommittee to really tell the truth, unfortunately. As a matter of fact, now they do not even respond to appear before this or any other committee of Congress to explain this type of discrepancy. A very different impression is given. I think you are to be commended for at least putting the situation in its proper perspective.

Let me only ask one other question. In terms of the future—and I think that your projections are excellent in terms of the skills that will be needed by industry—to what extent are you doing something to encourage training programs, occupational training or job development, in order to tie in with these projections, and are we doing enough along that particular line?

Mr. HOTCHKISS. Our efforts, of course, are focused on providing the people who operate the programs the best information we can about where the job opportunities will really be in the future, irrespective of any other considerations, and the emphasis on doing that has been to provide that information for the local areas, prime-sponsor jurisdictions, labor-market areas, whatever.

Mr. HAWKINS. To be a little more specific, who is going to be doing the training that will be required in order to take advantage of these skill projections that you are doing? You indicate in several places the number of individuals, occupations, opportunities that will be made available in different occupations for the rest of the 1980's. Who is doing something to make sure that the individuals who are unemployed, are collecting unemployment insurance or on welfare, will advantage of these opportunities? Is it the employment development agency of the State? Or do you have a definite role to play in that phase of activity?

Mr. BRISTOW. We have a definite role to play. We see it as an integrated system. Basically, we work with prime sponsors in supplying them with this information. The prime sponsors develop, with the local community-based organizations, the training programs and the needs and do the recruiting. Then Employment Service comes into the picture as part of the team in making the placements of the individuals. We see a network of our Employment Service offices acting as a core around which the community groups and the prime sponsors currently and hopefully in the future will continue to operate.

Mr. HAWKINS. If we were to accept some of the testimony that this committee has with respect, let us say, to the private sector, we have—whether it is accurate or whether it is well founded or not—and in seminars that we have conducted just recently in Washington with the private sector, we get a lot of criticism concerning the Employment Service. Frequently private employers see no value in dealing with the Employment Service in terms of

getting trained, skilled people. Are you aware of such criticism, to what extent is it justified, and to what extent can we do something about it?

Mr. BRISTOW. I am aware of such criticism. Anybody in the Employment Service program I am sure is. I think part of the problem is that the Employment Service program up until this point has had the major role of developing employment opportunities in the job placement program, matching basically people with jobs. I think that as the funds become more and more tight and the competition increases for them, there is going to be criticism coming up regarding the different service providers. I do feel, though, that the Employment Service over the years has acted as a basic core, a network of offices throughout not only California but the Nation around which the prime sponsors and the community action groups have been able to function. I feel it has a very definite and important role in that way and it has some kind of cohesion to the whole system in not having 300, 400 different groups all going off in the wrong direction.

I think we in EDD in California, anyway, have attempted to do what we call bottoms-up planning to work with the local community groups, the vocational education, the CBO's, to build their input into our field office planning operations. I think in those areas where we have been able to do this and where there has been cooperation, it has been very successful. I definitely see a continuing role for the department.

Mr. HOTCHKISS. Congressman Hawkins, I would like to comment on your question regarding which agencies are providing the training in response to these occupational demands. I think there is a significant problem here which should be pointed out. In fact, so far as I know, we cannot answer that question in California or in local areas or even nationally. The Vocational Education Amendments of 1976 mandated a system which would provide both occupational supply data as well as occupational demand data. But, in fact, there are serious deficiencies in the reporting systems. It is very difficult to determine how many individuals are being prepared for specific occupations by many program suppliers, by the community colleges, the secondary schools, the prime sponsors, community-based organizations, and others. I think this is a very significant point in our national information system regarding the operation of the labor market.

Mr. HAWKINS. You say they are prohibited or there is an omission involving the 1976 amendments?

Mr. HOTCHKISS. The 1976 amendments directed the establishment of a system particularly directed to vocational education, a reporting system, which would provide information on the number of persons being trained for particular occupations. However, I believe that that has not had the full effect, and when one attempts to obtain supply information from all the different sources, the different training programs, it is essentially impossible to do that at this time. It makes it very difficult to respond to the question of who, in fact, is training for these occupations.

Mr. HAWKINS. Well, if there is any such information anyplace, I suppose it would be centralized from the State Employment De-

partment. If you do not have it, I would assume nobody else has it. Is that so?

Mr. HOTCHKISS. I think that is essentially correct. The intent of Congress in the vocational education amendments was to centralize it through cooperative efforts of the employment security agencies, the educational agencies, and the CETA organizations. My personal feeling is that the information is not available despite that.

Mr. HAWKINS. Mr. Weiss.

Mr. WEISS. Thank you, Mr. Chairman.

I am not sure if I understand fully the statistics which the chairman was exploring with you. You indicate on page 16 that your workload between March 1 and July 31 was 9,500 roughly, 9,491 people registered; right?

At the same time, you indicate that 25,000 people were laid off CETA and 20,000 applied for benefits. Now, did those 20,000 also work with the Department, or did they apply for benefits elsewhere?

Mr. BRISTOW. They applied for benefits against California. Some of them may have been out of State at the time they applied. I do not have the breakdown. I assume most of them were within the State of California.

Mr. WEISS. Explain the discrepancy between the 9,491 figure and the 20,000 figure.

Mr. BRISTOW. I am afraid I cannot at this moment. I am looking at the figures myself.

Mr. WEISS. I think perhaps it would be helpful to the committee if after these hearings are concluded you were to have somebody go through those numbers and perhaps give us a reconciled set of figures which would take into account all the numbers that you have cited so far today.

Mr. BRISTOW. I will do that.

Mr. WEISS. Would you have any way of knowing what the impact, if any, of the proposition 13 cutbacks had been and how they interact with the Federal budget cutbacks?

Mr. BRISTOW. Basically the budget for the Employment Department is approximately 85 percent funded by the Department of Labor, so that the local State proposition 13 has very little direct impact on the Department. It has had an impact on the Department in terms of additional services that we have had to provide to those individuals who were laid off as a result of proposition 13, and the increased unemployment insurance payments that have had to have been made in unemployment. So to that extent, there has been an impact, but there has been no tracking on a basis to be able to say that as a result of proposition 13, so many people filed for benefits or so many people have come into our offices.

Mr. WEISS. When the committee was out here 2 years ago, I believe, in this very room, we had testimony about such a new program. There was further reference when we held hearings last summer in different parts of this State and country of a new program which attempts to match available applicants and potential employees, with jobs in positions that were available in industry. I think the prime industry identified was the electronics industry. Are you familiar with that program of providing general on-the-job training, and then after some identification of the industry,

in need, the potential employees would go back and have manpower training through CETA, and ultimately there was a commitment for positions from the industry itself?

Mr. BRISTOW. The CWETA programs?

Mr. WEISS. Right.

Mr. BRISTOW. Yes.

Mr. WEISS. How is that working? Is that continuing to work? What effect, if any, are the budgetary cutbacks which have been enacted going to have on that?

Mr. BRISTOW. The program is continuing to operate. It has been a very successful program. The budget reductions will not impact on that program because that was a specially funded program, funded by the State, proposed by Governor Brown. I believe in his testimony tomorrow he will speak on that particular issue, that program. I cannot say it has been very successful. Basically, it is a program that makes a commitment to the employer to hire the individual once he has gone through training. That really does not exist in any other training programs. That is what makes it unique. That is also what makes it highly successful. The employer has to make the commitment to hire, he gets involved in the whole training process, what training is needed. It has in-kind contributions toward the training. He has bought into it and has a commitment when the individual finishes the training.

Mr. WEISS. How long has that program been in existence now?

Mr. BRISTOW. Two years.

Mr. WEISS. Do you have any statistics as to the number of people who have received training and been placed in jobs?

Mr. BRISTOW. I just saw those the other day. I believe it is over 300 programs that have been funded, and approximately 6,700 individuals have been placed. Again, I believe the Governor will have the exact figures tomorrow.

Mr. WEISS. Mr. Hotchkiss, you referred to this gap in information, how about the coordination that may or may not exist between the various training programs? Vocational education for one, for example, do you have figures on the vocational education aspect of the training and the placement, never mind all the various other potential sources?

Mr. HOTCHKISS. I do not have the figures in that form. The vocational training programs report enrollments on a school-year basis. That is the only information that is available in California regarding the operations of the community colleges and the secondary schools in regard to occupational information.

Mr. WEISS. Do you have a public school vocational education program?

Mr. HOTCHKISS. Yes, there are occupational education programs both in secondary and in community colleges.

Mr. WEISS. Are there not statistics available at all? Is that what you are telling us?

Mr. HOTCHKISS. Yes, there are statistics available. There are serious limitations in those statistics. For example, differing definitions of what constitutes a program, or differing code structures used at different levels of education, so that, in fact, it is very difficult to determine how many students were prepared for completed programs in certain occupations. These kinds of problems in

the information systems themselves are pervasive; differing definitions are used, for example, between CETA programs and public school vocational education programs.

So in order to get a comprehensive answer to the question of how many people were trained in a given area for a given occupation, it is quite difficult to do.

Mr. WEISS. Mr. Bristow, do you have any ongoing evaluation of the vocational education programs as to the caliber of the programs and placement into specific jobs or industries from those programs?

Mr. BRISTOW. No, sir. The vocational education is under another department. While they may have training in some systems, I am not familiar with what they are at this point.

Mr. WEISS. Then going back to the question I asked, is there any form of coordination between the various kinds of vocational or employment training or educational programs in the State?

Mr. BRISTOW. There is certainly between the Employment Development Department and the Department of Education. We work very closely with them on determining training needs, and then they work in setting up training programs that would meet those needs. So it is a coordinated effort to that extent.

Mr. WEISS. Are you able to tell us, for example, how many youngsters took vocational education programs in the public schools of the State, and how many of them were then ultimately placed in industry as a result of that training?

Mr. BRISTOW. I cannot, but I am sure I can get that information from vocational education, if you wish.

Mr. WEISS. That would be helpful if you could supply us with that information.

Mr. Washington?

Mr. WASHINGTON. No questions, Mr. Chairman.

Mr. WEISS. Mr. Peyser.

Mr. PEYSER. I will defer questions at this time, Mr. Chairman. I think Mr. Weiss and Chairman Hawkins have brought out the problem and the interpretation of some of the figures that you have given us that I think are very important to us, because I am sure they typify much of what is happening around the country. So I appreciate this and your testimony.

I will yield back my time, Mr. Chairman.

Mr. WEISS. We thank you very much for your participation. We look forward to receiving the additional information from you.

Our next panel is the business and labor panel. Would you all come up to the witness table. Seat yourselves as you please.

STATEMENT OF DONALD P. VOKAL, PRESIDENT, SPECIAL TOOLS & MACHINERY CO., VERNON, CALIF.

Mr. VOKAL. Thank you, Mr. Chairman. Good morning, members of the committee. As everyone has said, thank you for listening to us. We have a message we would like to present to the committee this morning.

I am Don Vokal, president of Special Tools & Machinery Co., a 57-year-old California corporation. I am vice chairman of the Apprenticeship and Training Committee of the National Tooling &

Machining Association, and on the local level, trustee for the Los Angeles chapter of the L.A./NTMA Training Center Trust.

NTMA represents 12,500 companies and approximately 250,000 workers—this figure is erroneous. I believe it is closer to 350, but we did put that figure in.

That is in the contract tooling and machining industry. Our Los Angeles chapter representing 260 companies and approximately 8,000 to 9,000 workers is the largest in the country.

I will confine my remarks this morning to the problems of the critical skills shortage in our industry. The shortage of skilled labor in this country poses a special threat to our defense capabilities as well as the overall U.S. industrial base. In line with this, our competitive worldwide position as an industrial nation is in peril. Our members produce tooling for prime contractors. An acute problem to the defense subcontractors as well as the private industry contractors in our industry is an acute shortage of skilled labor, both for tooling and parts. This is throughout the country and is more of a problem in California than the rest of the Nation, but is a national problem. The implications of this shortage are dire. The contract tooling and machining industry is the cornerstone of all manufacturing. For any assembly line in any industry to operate, from automotive to aerospace, it must be supplied with the tooling that this industry—and only this industry—can produce. It is at the core of our industrial base. In addition, there is no weapon system that can be produced without the extremely high level of skills existing among the journeymen machinists stemming from our industry.

In a 1980 report of the Defense Industrial Base Panel of the House Committee on Armed Services, Chairman Mel Price concluded that, "In the event of a war, the U.S. defense industry would find it almost impossible to expand its weapons production suddenly and dramatically in the numbers necessary to sustain a prolonged conflict."

A national industry base survey, conducted by NTMA in 1980, showed a shortage of 60,000 skilled workers, right now, with a demand expected to climb to 250,000 additional workers in 1985. California alone needs between 8,000 to 9,000 skilled craftsmen. By 1985, 250,000 additional workers in the skilled crafts trades will be needed. If that surprises you, a typical journeyman works 50 hours a week, due to the extreme labor shortages, earns $40,000 per year. Unless this critical skilled labor shortage is addressed, we will find that major weapons systems will face costly and time-consuming delays as they must wait in turn for the specialized, highly skilled services of one of our subcontractors. We believe the shortage of highly skilled workers in critical small business contractors and subcontractors are the result of several factors:

The cost of training the highly skilled, as opposed to the semi-skilled, is extremely high. The cost includes a capital investment of between $40,000 and $60,000 in machinery per worker and 4 years of time while the trainee technicians completes their apprenticeship.

Most companies in small business industries are highly competitive. The relatively modest profits do not afford the luxury of formal training programs. They are effective at one-on-one appren-

ticeship training in the old and traditional concept of skills training. It is not all bad, but it does not get the job done that we will have to proceed with in the future.

Where shortages of skilled labor already exist, there are usually serious backlogs and concurrent pressures on production.

Small manufacturers are reluctant to take journeymen off their regular duties to train new employees because this slows production, slows productivity, and causes expenses to rise.

The present skills shortage is living proof that existing programs designed to encourage training have failed to do the job.

Federally funded programs, through organizations such as CETA, have become gradually social uplift in orientation. They are designed to train the economically disadvantaged for jobs that may or may not exist, rather than designed to identify and train those qualified for available skilled jobs. These programs gradually discourage and finally prohibit the use of tests to identify which candidates have the potential to be trained. I do not think anyone in this room would hire a secretary or hire a worker unless they knew their background and felt that they had the basic training to take that job. That seems to not be considered and, in fact, has been the fact. Our CETA-funded pretraining program, which started 14 years ago, has been considered one of the best joint efforts between industry and Government. We just currently received temporary funding through November of 1981, and I understand we were one of the few programs that were allocated funding.

We must stop imposing restrictions and quotas that prohibit us from recruiting those with the proper qualifications and instead forces us to recruit those who are in many cases untrainable for the demands of this highly skilled profession.

In regard to Los Angeles, the Los Angeles affiliated chapter of NTMA is currently running CETA and CWETA funded programs with great success. Also in southern California, the Los Angeles NTMA is building its own training center. This is made possible from funds donated by private industries, interested in overcoming some of the hiring restrictions posed. This training center, when completed, which is scheduled for September 27 of this year—will have an approximate value of $750,000. It will be an example for the rest of the country to follow in the promotion of training skilled craftsmen. Unfortunately, this program is $250,000 short of its goal. This training center will be open for all; however, these potentials must have the proper attitude, dexterity, and aptitude. Also, we can pretrain all these people for induction into the skilled metalworking trades, but we must help the small businessman with tax incentives to offset the additional expense of this training. You have to remember these skilled people we are talking about are working in tenths of thousandths. That is taking one of the hairs of your head, dividing it 20 times, that is in thousandths, divide that another 10 times, and that is the type of tolerance we are asking these people today to work to. We can no longer take somebody off the street or an automotive worker and say OK, now we will give you 5-minute training, and you will be an instant wartime employee like we did in World War II. It is a critical phase; and with proper aptitude, with proper training, and educational background, lots of people can enter this field.

Tax credit programs such as the targeted jobs tax credit suffer from the same misdirection. Aimed again at the economically disadvantaged, their primary purpose is to create jobs for individuals who are out of work. In no way are they aimed at identifying and training individuals for jobs compatible with their abilities. There is nothing worse than to be in a job that is way over your head and you are just at the bottom of the rack. We all know that. Legislators have not faced a general truth. Not everyone from any population segment has the aptitude required to become a highly skilled machinist. An even sadder truth is that the economically disadvantaged are also often educationally disadvantaged; that is unfortunate. An even smaller proportion of this group possess the aptitudes to be effective in this and other highly skilled professions.

Vocational programs have suffered from some of the same tendencies. With a few notable exceptions, there seems to be a continuing lack of communication between the vocational community and the employer groups. There seems to be a change in the right direction, and vocational programs should be supported while this change is continuing. However, this will take many years, and solutions to the problem are needed now.

An even broader problem is the failure of primary and secondary school systems to provide the basic cornerstone in mathematics and English which are the basic tools of all businesses, especially ours. The problem is getting worse, resulting in a smaller pool of qualified candidates each year. Here, in the southern California area, we have found a growing trend of interest toward skilled trade activities sponsored by the school systems, job placement centers, career centers, et cetera. This growing awareness should be dispersed throughout the country so that "working with your hands" is no longer a dirty word. We have been able to achieve this success—not by osmosis—but through the school system by having open houses, presenting film clips and slide shows, giving verbal presentations, and so forth, thus showing these young adults and educators that there is a terrific future on the horizon in the skilled trade industry.

Joint industry/Government training programs should continue and should be expanded—this is one of the two factors we feel are clear in seeking a practical solution to the problem at hand. But the concept, goal, and operation should be returned to those of the original Manpower Development and Training Act of 1962. The specific purpose of MDTA was to identify manpower shortages and fund programs which would train qualified people, "as quickly as is reasonably possible in order that the Nation may meet the staffing requirements of the struggle for freedom."

A specialized skills training tax credit, available to those critical industries with a demonstrable shortage of highly skilled labor, should be enacted. The amount of the tax credit should be close to the true cost of training, which is quite high, in order to offset those costs and the loss of productivity which occurs during the training process.

The tax credit should be applied only to new apprentices, and only industries or professions having a certifiable shortage should be eligible.

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This concept was introduced as legislation by Congressman Don Bailey, a member of the House Ways and Means Committee and a former member of the House Armed Services Committee. H.R. 3752 would be an excellent supplement for the targeted jobs tax credit. It would help rebuild both our defense and private sector industrial base. By limiting the incentives only to those industries with a demonstrable shortage of skilled labor, the possibility of abuse would be totally eliminated.

In closing, I would like to draw attention to the article I have enclosed emphasizing all we have covered here this morning. This article is typical of any you can find in periodicals appearing throughout the United States. We can go through Newsweek, Time, the Kiplinger letter. You name it. It is there.

I threw in retooling for defense. At your leisure please read those articles. Basically it says the same thing I just said, that technology is too advanced. We have a new ball game from 20 years ago. We are so proud that this new training center will serve all of southern California. I put in a brochure depicting our goals and the direction. My comment in closing and in conclusion is that we have a saying at our NTMA training center, that this training center is our industry's chance for a new beginning. I would like to change that to read our Nation's chance to again take its place as an industrial giant.

Thank you for listening to me.

[The prepared statement of Donald Vokal follows:]

PREPARED STATEMENT OF DONALD P. VOKAL ON BEHALF OF THE NATIONAL TOOLING & MACHINING ASSOCIATION

Mr. Chairman and members of the committee: My name is Don Vokal. I am president of Special Tools and Machinery Company, located in Vernon, California. I am also vice chairman of the Apprenticeship & Training Committee of the National Tooling and Machining Association and, on the local level, trustee for the Los Angeles Chapter of the L.A./NTMA Training Center Trust.

N.T.M.A. represents 12,500 companies and approximately 250,000 workers in the contract tooling and machining industry. Our Los Angeles Chapter representing 260 companies and approximately 8,000-9,000 workers, is the largest in the country.

I will confine my remarks this morning to the problems of the critical skills shortage in our industry. The shortage of skilled labor in this country poses a special threat to our defense capabilities as well as the overall U.S. industrial base. In line with this, our competitive worldwide position as an industrial nation is in peril. Approximately 20 to 25 percent of our members do work for the Department of Defense, mostly on parts at the subcontractor level. Other members produce tooling for prime contractors, an acute problem to the defense subcontractors as well as the private industry contractors in our industry, is an acute shortage of skilled labor both for tooling and parts. The implications of this shortage are dire. The contract tooling and machining industry is the cornerstone of all manufacturing. For any assembly line in any industry to operate, from automotive to aerospace, it must be supplied with the tooling that this industry—and only this industry—can produce. It is at the core of our industrial base. In addition, there is no weapon system that can be produced without the extremely high level of skills existing among the journeymen machinists stemming from our industry.

In a 1980 report of the Defense Industrial Base Panel of the House Committee on Armed Services, Chairman Mel Price concluded that "in the event of a war, the U.S. defense industry would find it almost impossible to expand its weapons production suddenly and dramatically in the numbers necessary to sustain a prolonged conflict." In the same report, the Defense Science Board Task Force concluded that a major contributor to the increasing lead time and cost currently affecting the defense sub-community is a continuing shortage of skilled labor among small business subcontractors. "It is clear that the shortages of machinists and other skilled laborers are contributing factors which adversely affect the ability of the sub-tier base to respond rapidly to significant increases in defense production demands."

If anything, this report may be understating the problem. A national industry base survey, conducted by NTMA in 1980, showed a shortage of 60,000 skilled workers, right now, with a demand expected to climb to 250,000 additional workers in 1985. California alone needs between 8,000 to 9,000 skilled craftsmen. This shortage may seem surprising in light of today's high unemployment. If that surprises you try this: a typical journeyman works 50 hours a week (due to the extreme labor shortages), earns $40,000 per year. Unless this critical skilled labor shortage is addressed, we will find that major weapons systems will face costly and time-consuming delays as they must wait in turn for the specialized highly-skilled services of one of our subcontractors. In a peactime economy, they will be competing against private industry, which will be building new assembly lines as a result of the incentives for business investment provided in the President's tax package.

We believe the shortages of highly skilled workers in critical small business contractors and subcontractors are the result of several factors:

1. The cost of training the highly skilled, as opposed to the semi-skilled, is extremely high. The cost includes a capital investment of between $40,000 and $60,000 in machinery per worker and 4 years of time while the trainee technician completes their apprenticeship.

2. Most companies in small business industries are highly competitive. The relatively modest profits do not afford the luxury of formal training programs. They are effective at one-on-one apprenticeship training in the old and traditional concept of skills training.

3. Where shortages of skilled labor already exist, there are usually serious backlogs and concurrent pressures on production.

4. Small manufacturers are reluctant to take journeymen off their regular duties to train new employees because this slows production, lowers productivity, and causes expenses to rise.

The present skills shortage is living proof that existing programs designed to encourage training have failed to do the job.

1. Federally funded programs, through organizations such as CETA, have gradually become social uplift in orientation. They are designed to train the economically disadvantaged for jobs that may or may not exist, rather than designed to identify and train those qualified for available skilled jobs. The former may have sociological value, but the latter makes economic sense. A skilled worker in the tooling and machining industry, the high technology electronics industry, and others need certain mathematical skills and logical aptitudes, physical dexterity, patience, determination, perseverance, and imagination, which is simply not present in a large proportion of those eligible for federally funded programs. These programs gradually discouraged and finally prohibited the use of test results to identify which candidates have the potential to be trained as machinists. Our industry has run a CETA-funded pre-training program for 14 years. It has long been considered one of the best joint efforts between industry and Government. Funded at the proper level and under the original conditions of our contract in 1964, it could have done a tremendous amount to alleviate the shortage that now exists. Even if we were funded at higher rates, the effectiveness and acceptance of this program will continue to deteriorate until the Government stops imposing restrictions and quotas that prohibit us from recruiting those with the proper qualifications and instead forces us to recruit those who are in many cases untrainable for the demands of this highly-skilled profession.

2. The Los Angeles NTMA is currently running CETA anmd CWETA funded programs with great success. Also, in southern California the L.A./NTMA is building its own training center. This is made possible from funds donated by private industries, interested in overcoming some of the hiring restrictions posed. This training center, when completed, will have an approximate value of three-fourths million dollars. It will be an example for the rest of the country to follow in the promotion of training skilled craftsmen. This training center will be oper. for all; however, these potentials must have the proper attitude, dexterity, aptitude, etc. Also, we can pre-train all these people for induction into the skilled metal-working trades but we must "help" the small businessman with tax incentives to offset the additional expense of this training.

3. Tax credit programs, such as the targeted jobs tax credit, suffer from the same misdirection. Aimed again at the economically disadvantaged, their primary purpose is to create jobs for individuals who are out of work. In no way are they aimed at identifying and training individuals for jobs compatible with their abilities. Legislators have not faced a general truth. Not everyone from any population segment has the aptitude required to become a highly skilled machinist. An even sadder truth is that the economically disadvantaged are also often educationally disadvantaged. An even smaller proportion of this group possess the aptitudes to be

effective in this and other highly skilled professions. Any program which imposes restrictions on the population which can be trained, will ultimately fail as a solution to the skills shortage in this country.

Vocational programs have suffered from some of the same tendencies. With a few notable exceptions, there seems to be a continuing lack of communication between the vocational community and the employer groups. There seems to be a change in the right direction and vocational programs should be supported while this change is continuing. However, this will take many many years and solutions to the problem are needed now.

4. An even broader problem is the failure of primary and secondary school systems to provide the basic cornerstone in mathematics and English which are the basic tools of all businesses, especially ours. The problem is getting worse, resulting in a smaller pool of qualified candidates each year. Here, in the southern California area, we have found a growing trend of interest towards skilled trade activities sponsored by the school systems, job placement centers, career centers, etc. This growing awareness should be dispersed throughout the country (in these areas) so that "working with your hands" is no longer a dirty word. We have been able to achieve this success with the school systems and so forth by having openhouses, presenting film clips and slide shows, giving verbal presentations and so forth. Thus showing these young adults and educators that there is a terrific future on the horizon in the skilled trade industry.

Our industry has been viewing the problem for some time, seeking some efficient, logical, practical, and simple approach to the shortage of skilled labor in the U.S. The conclusion we have reached is that two factors are predominantly clear.

1. Joint industry/Government training programs should continue and should be expanded, but the concept, goal, and operation, should be returned to those of the original Manpower Development and Training Act of 1962. The specific purpose of MDTA was to identify manpower shortages and fund programs which would train qualified people, "as quickly as is reasonably possible in order that the Nation may meet the staffing requirements of the struggle for freedom." This is a considerably different approach than is presently embodied under existing CETA programs. It may be that the original philosophy of MDTA could be applied to CETA by administrative action. We are sure the Secretary of Labor would appreciate suggestions from this committee. It may be, however, that legislation would be necessary.

2. A specialized skills training tax credit, available to those critical industries with a demonstrable shortage of highly skilled labor, should be enacted. The amount of the tax credit should be close to the true cost of training, which is quite high, in order to offset those costs and the loss of productivity which occurs during the training process. The tax credit should be applied only to new apprentices and only industries or professions having a certifiable shortage should be eligible.

This concept was introduced as legislation by Congressman Don Bailey, member of the House Ways and Means Committee and a former member of the House Armed Services Committee. H.R. 3752 would be an excellent supplement for the targeted jobs tax credit. It would help rebuild both our defense and private sector industrial base. By limiting the incentives only to those industries with a demonstrable shortage of skilled labor, the possibility of abuse would be totally eliminated.

In closing, I would like to draw attention to the article I have enclosed emphasizing all we have covered here this morning. This article is typical of any you can find in periodicals appearing throughout the United States. As our theme of the L.A./NTMA Training Center Trust states "our industry's chance for a new beginning." I would like to change that to read, "Our Nation's chance to again take it's place as an industrial giant!"

A Shortage of Vital Skills—America is Running out of People who can do Essential Work

It is like stepping into an earlier age. The scene is the shop floor of the A & A Tool Co. in southern Connecticut, and the spectacle is of American precision craftsmanship tooling up for the 1980s. The vision is not an encouraging one. Jammed between noisy lathes and oily drill presses stand a dozen men, some far into middle age. Like acolytes of a dying devotion, they practice the art of machinemaking, using skills and techniques that have not changed much in 100 years.

A & A Tool Co., a precision machining shop with 23 employees and a twelve-month backlog of customer orders in the aircraft and defense industries, is typical of a crisis that is quietly brewing on the shop floors of the nation's plants and factories. From the tiny machine shops of New England to the aerospace hangar sheds of the West Coast, American industry is being squeezed and constricted by a shortage of skilled labor.

In the U.S. today, the face of blue-collar skill is aging. Small tool shops cannot replace craftsmen as they retire. Larger machinery manufacturers cannot find willing younger men to train in order to expand production and grow. West Coast aerospace giants like Boeing and Lockheed constantly raid each other's work forces in the hunt for skilled people. At a time when one in 13 U.S. workers is unemployed, jobs by the hundreds of thousands in many of the economy's most vital sectors are going begging for the lack of trained people.

With the Reagan Administration about to launch the biggest peacetime defense buildup in U.S. history, the skilled labor shortage threatens to create crippling and inflationary production bottlenecks. Without experienced workers, there is no way to shape and mold the thousands of metal parts that go into fighter planes and new tanks, into cruise missiles and Trident submarines. Northrop Corp., which co-produces the F/A-18 Hornet fighter, is already short of such specialized tradespeople as jig-and-fixture experts and plaster patternmakers. Says Donald Smith, director of the University of Michigan's industrial development division: "A recovering economy and a boom in defense orders could create the biggest industrial-demand crunch we've seen since 1941."

Though the skills squeeze is hitting just about every sector of industry, the most worrisome shortages are looming in the machine-tool trades. Nearly all big manufacturing firms employ skilled people who work with metal. But, more and more, large firms have come to rely on specialty firms as subcontractors for their metal-working needs.

In the process, the nation's 3,500 machine-tool companies have become the tiny base upon which all of American industry now sits like an inverted pyramid. The firms range from garage-size shops with one or two workers to giant manufacturing companies with employees numbering in the thousands. Large or small, the businesses all have one thing in common: they make the tools, drills, lathes, presses and other industrial products.

Retooling for Defense—An Unsettling Look at How Industry Would Respond to War

(By Harry J. Gray)

If there were a national emergency today, I seriously doubt that our nation could mobilize its industrial base in time to make an appreciable difference in sustaining a war effort. It might take as much as two years before we'd see any real increase in production of war material. And that's an optimistic estimate.

Increasing capacity in times of national need does not mean simply switching from commercial to military production, or building new factories and filling them with workers, much as we did when we mobilized for World War II. There have been changes in the factors that affect our ability to gear up military production—or production of any kind.

Today, it takes a company from three and a half to five years to build a new factory of any size and get it to full production. If you're fortunate enough to find an existing facility to buy, it takes about a year to convert that facility, get machines in, train people and produce just the first parts. It can take another year or two to bring that factory to full capacity.

Building the plant and getting the equipment are only part of the job. During World War II, we brought in people who never before had worked in a factory—farmers, clerks, housewives. They were trained, often in a matter of weeks, to build aircraft engines. And they built thousands of them.

Today, however, you can't just take someone off a farm or out of a kitchen and expect him or her to build aircraft engines. The technology is too advanced, the tolerances too tight, the equipment too sophisticated. It takes three years for someone to complete the rigorous machinist apprentice course. It takes the better part of a year to retrain someone from an auto assembly line, for example, to work on high-technology aerospace parts.

If we were under full mobilization, with all the advantages the government can provide, we might be able to squeeze 18 months from the longest time it takes to get to full production in new plant. But it wouldn't be possible to build a factory, train the people and get the required high-technology manufacturing tools we need in anything less than three years.

One obvious solution to a short-term crisis is to convert commercial production to military production, but this is not as feasible as it sounds. Take, as an example, Pratt & Whitney Aircraft, whose production of jet engines is split about equally between the commercial and military markets. By turning off commercial production, we'd be able to process the military material we had in hand much faster and

produce the engines ahead of schedule. Initially, the Air Force and the Navy would see a surge in the number of engines they'd receive.

The same priorities could be applied to our suppliers. We'd determine what raw material already in the pipeline could be converted from commercial parts to parts for the military engines. In some cases, that material is common to both. But in many cases, there is a long lead time in procuring critical material not common to commercial use, which can cause the entire project to be delayed. For instance, in 1978, normal lead time for one of our military jet engines was 19 months, by last summer it was 41 months. The increase is due almost entirely to longer lead time in obtaining certain critical materials, such as titanium.

Pratt & Whitney is the largest single user of titanium in the world. The raw material that yields titanium is abundant on the earth's surface. But the industrial capacity to convert that raw material to what we need—titanium alloys—is woefully short. As a result of supply and demand, prices have shot up and lead times have increased twofold since 1977.

When it comes to certain critical materials, the United States is a have-not nation. We are frighteningly vulnerable to foreign sources, many of which are unstable or unfriendly. We are almost 100 percent dependent on overseas sources for chromium and cobalt, two elements required in building high-performance military aircraft engines. Yet the United States does not have a rational policy on nonfuel minerals that come mostly from foreign markets. This raises the threat of an OPEC-like squeeze in certain metals. The first place we're likely to feel it is in national defense.

Another problem: The supplier network that forms the base of our country's defense industry is shrinking at an alarming rate. Since 1967 the number of companies involved in aerospace production has declined by more than 40 percent. As a result of this drastic shrinkage in the number of suppliers, there have been dramatic increases in prices in this sellers' market.

To make matters worse, high costs in terrms of capital and technological expertise are real barriers to expansion in critical areas, from mining and smelting to superalloys forging.

We are trying to ease this dependence on suppliers through material substitution, new processes and long-term purchasing commitments. We're also entering agreements for new sources in other countries that are pushing to develop their own aerospace capability. But we can't be dependent on foreign suppliers in a time of national emergency.

I see four areas that require prompt government attention.

We must institute mobilization planning at the government level. This has been tried before, but with little follow-through. In 1975, the military services and defense industry made some preliminary studies. United Technologies spent 18 months on one study alone, but there has been virtually no response by the government since then. Perhaps it's time to reestablish an office of mobilization planning, headed by a cabinet-level officer, working closely with—but independent of—the Department of Defense and industry.

We must develop and implement a national minerals policy that will release this country from dependence on foreign sources. This policy should do all it can to encourage extensive exploration at home for sources of critical materials. The government owns one-third of the nation's land, containing an estimated 85% of our oil reserves and a significant share of gas, timber and scarce minerals. We don't know for sure how much of these resource-rich areas are being considered for wilderness designation. But if this land is closed to exploration, we'll never find out.

We must increase our stockpiles of critical materials. The Soviet Union is doing this, and the results can be seen in the marketplace. Equally important, we've got to cycle that material so that it is kept up to date, making the stockpile an integral part of the working defense production system.

We must change the way we purchase defense hardware. Inspead of penalizing capital investment, long-term profit incentives should be provided for industry to make the investments that would improve productivity and lower the cost of government products. The current practice of negotiating from a lower-cost base must be discontinued. Industries doing business with the government must have some rights to proprietary processes restored. Government regulatory reporting requirements now inhibit private industry's operational decision-making.

Industry receives inadequate funding for long lead items, and is financially at risk for contractual coverage before contracts have been initiated.

The Department of Defense should have some leeway in spending future dollars on high-priority items such as spare parts. It shouldn't be tied to the one-year budget cycle, particularly now that lead times are pushing out to three years.

Finally, there must be improved tax incentives now for business investment associated with the defense industry, such as rapid accelerated depreciation for new plant and equipment.

For too long, America has ignored the erosion of the defense-industry base. Restoring it should be given high priority in our defense policy.

LOS ANGELES
N.T.M.A. TRAINING CENTER

SERVING SOUTHERN CALIFORNIA

"Our Industry's Chance For A New Beginning"

THE NEED

ALL OF US ARE IN BIG TROUBLE AND SERIOUS DIFFICULTY. Without a dramatic increase in our ability to train young people to work with us, we are faced with a steadily declining ability to remain efficient and competitive here and abroad. The problem is that critical. You are no doubt aware of our present training facility in Boyle Heights. Its inadequacy is demonstrated by the fact we are limited to training 80 apprentices each year and that is not nearly enough. The Trustees of the Training Trust, along with the Board of Directors and the Executive officers of LA/NTMA, have made a bold commitment. They are determined to build a new training facility which will substantially increase our training capacity. With your support, we can make this dream come true. WITHOUT YOUR SUPPORT THE FUTURE MAY NEVER COME.

NTMA'S TRAINING PLAN

The average age of tool makers in this area is 54. To meet our personnel needs we must aggressively pursue larger numbers of qualified young people. We believe the new center, itself, will be a recruitment device and we shall pursue all other available opportunities. We offer continuous 12-week training programs and actively will permit the training of approximately 300 new students each year—more than three times our present abilities.

The total cost for the project is $550,000. $100,000 has already been pledged. The Training Center has to date accumulated $50,000 on its own toward this project. This leaves us with a bottom-line need for $400,000.

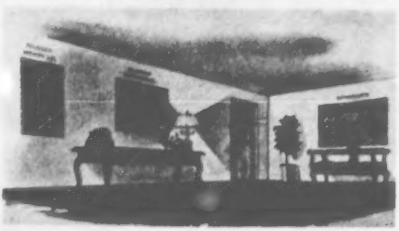
THE PROPERTY

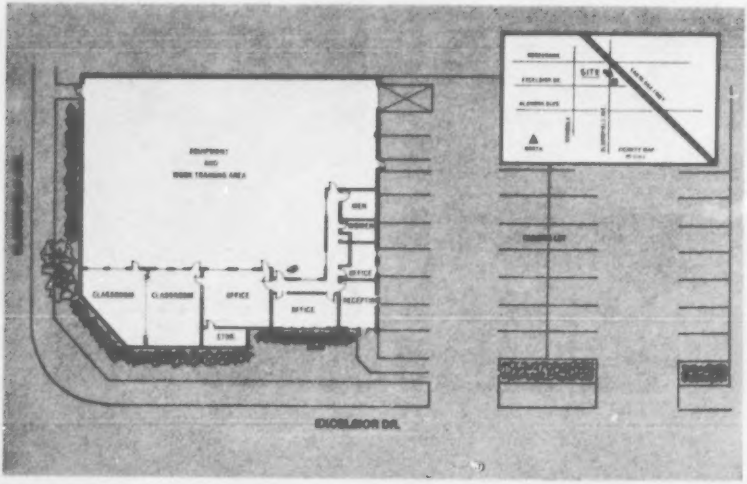
The site of our new training facility is a 30,000 square foot parcel at the corner of Bloomfield and Excelsior in the City of Norwalk. The 10,000 square foot building will provide 7,000 square feet of fully equipped, simulated on the job training space, 2,300 square feet of classroom space and 700 square feet for the Center's offices. This building has been designed to provide for the future addition of 2,500 square feet of classroom and office space in a second story. Parking spaces for 37 vehicles are planned. With your help, we expect to have the new training center operational by late 1981.

OUR DOLLAR NEEDS

We are seeking Founder Firms willing to pledge $10,000 or more each. In addition we offer Charter Member status to companies willing to pledge $5,000 each. Sponsor Firm designation is available to all who pledge $2,000. There will also be three special rooms dedicated to firms donating $25,000 or more.

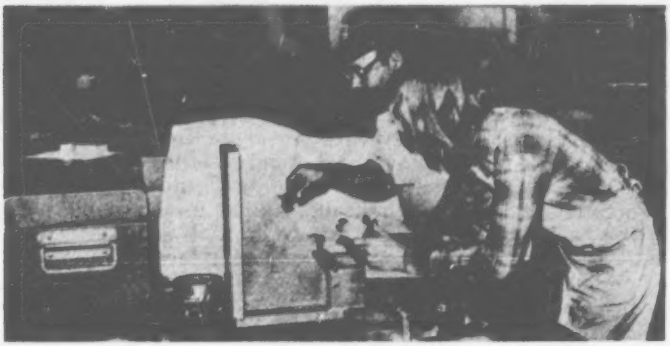
Names of these industry leaders will be prominently displayed in the building lobby to attract the attention of trainees and give proper credit to the donors.





HISTORY OF THE TRAINING PROGRAM

The Training Center began in 1968, thanks to the efforts of a few dedicated members of the Southern California Tooling and Machining Association, troubled about the dwindling number of young job applicants. They rented a building at 347 S. Clarence Street in the Boyle Heights area of Los Angeles, devised a curriculum, hired instructors and donated the equipment needed to start up the apprenticeship program. The Training Center has provided more than 1,000 trained operators for qualified shops throughout the Los Angeles area during the last 13 years.



FOUNDER MEMBERS:

Ace Industries
Allied Mechanical Products
C.T.D. Machine Inc.
California Jig Grinding Co.
Community Bank
Punch Press Products Inc.
Schroeder Tool & Die Corp.
Special Tools & Machine Co.
Volaw Precision Tool Co. Inc.
W.M.C. Grinding Inc.

If it becomes necessary to assess all member companies in the future, to support the Trust Training program, founding members donating $10,000.00 or more will pay only 25% of that assessment. Charter members, donating $5,000.00 or more, will pay only 60% of that assessment.

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Mr. HAWKINS. Thank you.
The next witness is Mr. K. R. Kiddoo.

STATEMENT OF KAYE KIDDOO, DIRECTOR OF PERSONNEL, LOCKHEED CORP., BURBANK, CALIF.

Mr. KIDDOO. Thank you, Congressman Hawkins and members of the subcommittee. I am Kaye Kiddoo, director of personnel for the Lockheed Corp. We are headquartered in Burbank. We have about 73,000 employees, of which about 50,000 are located in California. That makes us about the largest private employer, I believe, in the State. Our employees are split roughly equally between northern and southern California. In addition to my job, I have been head of the American Electronic Association IR Committee and we have done a lot of work on trying to identify needs for electronics people in the State. I worked closely with Governor Brown on the Governor's ad hoc task force. I have been head of other things and more recently have been participating with the California Round Table Task Force on what I want to discuss a little more completely here, one of the basic problems which has to do with our basic education in the State at the elementary and secondary levels.

My company, Lockheed, has had a lot of experience in this field. Under my old boss, Jim Hodges, who was Secretary of Labor, we on our own with our own money at the time set up a program to determine what it would really take to go out and seek the disadvantaged, motivate them, train them, and meld them into our work force. We set up three programs at our major divisions, and this was an extremely successful program. We learned a great deal from it. After that program, in response to requests up in the Bay area, we set up two training centers up there. This time we used NTDA funds to train people as gasoline station attendants, retail clerks. That too was extremely successful.

One thing I hope the subcommittee will take into account, the manufacturing industry, of course, consists of only about 20 percent of the people that are hired in this country. Yet we seem to get about 80 percent of the attention of Congress or people who are interested in creating jobs. It just may be in some of these other sectors, some of these other industries, nonmanufacturing, that we may find more jobs and we, you, may be able to provide jobs more cheaply.

One of the things that is very astounding in California is that we have about 800,000 unemployed. I think that was the April report of EDD. We spend about $800 million a year on vocational education and yet companies like my own Lockheed has to recruit nationally to find engineering and skilled people. I know this is true of Northrop. Many of our companies, more recently Northrop and Boeing, have had to go out of our country to find skilled people, to find engineers. I need not say that something is wrong there. There is something obscene about a situation like that when we have so many people who are unemployed in the State and when we are putting so much money into vocational education. Something is not meshing here.

Our industry, aerospace, in California has about 620,000 employees. That is up to about the level we were at in 1968 at our peak. Nationally our industry is now at about 1,200,000, and that is down

from its peak of roughly about 1,500,000 to 1,600,000. That was also in 1969. The picture in California, in aerospace and electronics, is basically that our commercial business is about steady or going down, and then is crossed over by the military business going up. You will find that in both industries. We are all eagerly anticipating what is going to happen in some new major programs. That is the MX program, the B-1 program, the CX program, the C-5A program, and other advanced-technology aircraft programs.

I think it is important to note that regardless of which of these programs are selected, the initial staffing is going to be quite slow. Normally our process is you bring in your development people. These are largely engineers and support people. You have the development program that goes on for a year or two, and then roughly you begin to bring in your tooling people, your tooling planners, your jig and fixture builders, people like that. That process normally takes about 9 months to 1 year. Only after that, as you well know, do we really get in and severely impact the job market as far as people go, in large numbers of people. That is, of course, when we are looking for people like assemblers and so on, people who, if they are not already trained, we can generally take and in about 2 to 4 weeks, we can give them the essential skills that they need to go out and help us construct airplanes, construct missiles, construct satellites, and so on.

Our industry has a reputation, and I think it is a well-deserved one, that we can recruit the needed talent if the talent exists, if it is anyplace. I do not care if it is in New York State, or on an Iowa farm, or in England, or in the Philippines, we know how to go out and do it. If it exists. We also know how, when we need people like tooling people and we cannot find them, we know how to break those jobs down into smaller increments. We know how to train people so they can do the job.

This—and you touched on this in your previous testimony—is becoming increasingly difficult to do. There are primarily three reasons for that. I think one is the lack of motivation that we see among those people who are available to either seek out or to accept employment or to accept training. I think you touched on that previously when you had the EDD people here—I think a lot of that relates to the communication network. What is available and what is needed to get those kind of jobs? What kind of preparation do you have to make? Counseling in schools is dismal.

The second thing that makes it difficult for us is that our public schools in California are absolutely failing. They are failing miserably to provide the basic skills that young people need to qualify them for jobs or to even qualify them for the basic training to take a job. I agree, it is English, it is math, it is science. They just do not have it. They do not have the motivation. We, gentlemen, have an extremely critical problem in this State if not in the entire country.

The third thing that is making this difficult—and I support the previous presenter here—is that the design of the Government's supported training programs, such as CETA, are seriously flawed in their execution. They are wasteful. They poorly serve those that they are designed to serve. That is the people who need work and the employers who want to provide them with that work.

On the motivation angle, I do not know what to say. You hear a lot of reasons. TV, breakup of the family, lack of respect for authority, and so on. I would not guess as to what that might be. It is a problem, though.

I think on the basic education, the elementary and secondary schools, if we had to focus our attention, if we only had so much in the way of resources, it would pay over and over and over again if Congress, our State legislature, and all the people in positions of responsibility would concentrate on that area. We had a recent meeting of our California roundtable and Jim Guthrie, the head of the department of education at the University of California at Berkeley and he also holds other titles in the State, mentioned several interesting facts. I picked out a few here because they strike me as very interesting. For example, California has 10 percent of all the public school students in the United States, it is about 4½ million—about half a million of those go to private schools.

We have been reading in the Los Angeles Times that the scores of college-bound seniors on both the verbal and mathematic dimensions of the SAT tests have fallen at a faster rate than they have nationally. Believe me, they are falling nationally, but California leads the way. We are going down faster than they are. A substantially smaller portion of California-bound students as compared nationally take advanced or difficult courses. By these I am talking about, of course, your sciences and your mathematics. Trigonometry is a good example. Almost three times as many students nationally take courses in trig as they do here in California.

Textbook writers tell us that the textbooks today that our students are using are about one to two grade levels below what they were 10 years ago. Even though the kid is taking physics in his sophomore year in high school, he is taking a physics that has been diluted or downgraded from what maybe I took or somebody else 10 years ago. We all know about the grading, we know about the lack of discipline in schools which has just become absolutely atrocious.

We are spending $11 billion in California on primary education. We are spending the equivalent of $2,200 per student. That is the national average. Yet we are getting less for our buck than they are nationally, though nationally they are not getting their full worth, either.

Well, we had another presentation at that same meeting I would like to remark on. Lewis Beall is superintendent of the Azusa School District. He is head of the State Association of Superintendents. He brought out points. How do you achieve excellence? That is what we are looking for. Excellence in the terms John Gardner talked about in his excellent book on that subject. Beall said the schools' primary responsibility is the maximum intellectual development of each student. Believe me, we have gotten so far over in the social side we have forgotten what the purpose of the schools are. He says the characteristics of a superior school include these things: Active learning time; student behavior, which is translated into discipline. You cannot have education without discipline. Academic emphasis rather than side courses that are not the basic courses.

HIGH EXPECTATIONS

We all know that when a child is placed in an environment where a lot is expected of him, he often measures up to it. We see certain families, for example the oriental families which are very close-knit, have high expectations of their students and they do well. They do very well.

Of course, strong institutional leadership. Having had a daughter that just went through and got a degree in education, she got 2 years of basic subjects and then 2 years of how to teach. I was frightened to see her go out because I knew she could not do what she should do or what was expected of her in the classroom.

Of course the other thing that is just killing us in the State, and you gentlemen and our State legislators are partially responsible, is that the school districts are overwhelmed by all the regulations, the morass that they have to go through. I listened to Robertson, head of our school district. He came into one meeting one day and he had that desk two heaps here. Here are the things I must follow. You know, we are so concerned with what the average daily attendance is we are forgetting what we are here for, and that is to teach young people.

What will it take to turn our school system around? It is a lot of things, believe me, it is not money by a long shot; in fact, you might even save money.

We need to determine what we want from our schools. That is important. What is the goal? What do we really want our school system to do?

We need to provide flexibility, more local control, break up these huge school districts like Los Angeles. They are so far away from the student they do not know what they are doing. You need to get local control, close to it.

ADEQUATE FUNDING

By that I mean equate the funding, though we have done a good job in California. There is less than $100 difference per student between school districts. That is fairly well accomplished.

Community involvement.

TESTING

I certainly second your remarks on that. You have got to use testing. You have to determine what the status of a student is and what progress they are making. I have a young daughter-in-law teaching over in North Hollywood. She has sixth grade; primarily students from Central America, Mexico, the Orient, and others. They are all different levels. We have decreed by law we have to mainstream some children. She has a couple of retarded children there. When she says, "Children it's time for math," she has math group No. 1, math group No. 2, and math group No. 3. She is running a one-room schoolhouse. That is a terrible waste of her time. You are going to wear her out. Secondly, it is not giving the students what they deserve at all.

We need to consider requiring every graduate of our public schools to have some marketable skill before we give them a certificate or a diploma.

We need greater emphasis, of course, on the basics.

We need more vocational schools. We are way behind in California, incidentally, in vocational high schools such as you would find in Chicago or back East where they emphasize that to a much greater extent than we do.

As far as the training programs, I think they are flawed in their execution, they are wasteful, and they just do not serve the needs of the employers or the employees. Well, the answer is very simple. We have allowed them to become a social institution. We have developed a whole class in there that are dependent on those schools, the running of those schools for their own income. We have forgotten what we are trying to do, which is to get people marketable skills. The closer you can get it to the employer or the employer association, the people that actually have the jobs, the more successful the program is going to be. It is just that simple. Those are the people we ought to look to to provide this training. Then if you like, get some nonpolitical agency. By that I mean something other than the Department of Labor, for example, use the GAO, the IRS, somebody to go in and check on how effective the program is.

I am not going to touch on one other problem which I should, and that is the horrible state of engineering education in the State. It is in the Nation, too. It is going down the tubes. The Ph. D., for example, who you would use as a professor is earning less than the student he cranks out that year. A graduate in engineering with a bachelor's degree gets from $20,000 to $26,000, closer to $26,000, just to start, while the person on the faculty probably gets on the average $22,000. We do not have up-to-date equipment; it is a problem.

Just remember one thing. Studies I have seen will show that each engineer creates about 27 jobs. So if you want to influence the job market, if you want to create more jobs in this country, emphasize technology, emphasize engineering education.

Well, how do I sum it up? I think despite the best of intentions on the part of everybody, and an enormous expenditure of wealth, the effectiveness of the job market, how the job market works, and the educational system increasingly failing the people that it is supposed to serve, I think maybe remedial action is needed now. I think it will require the efforts of all of you and us.

I thank you very much for this opportunity.

Mr. HAWKINS. Thank you, Mr. Kiddoo.

[The prepared statement of Kaye Kiddoo follows:]

PREPARED STATEMENT OF K. R. KIDDOO, DIRECTOR OF PERSONNEL, LOCKHEED CORP.

I am Kaye Kiddoo, Director of Personnel for the Lockheed Corporation, headquartered in Burbank, California. Of our approximate 74,000 employees, over 50,000 are in California, making Lockheed one of the largest, if not the largest, private employer in the state. In addition to my job at Lockheed, I am past chairman of the American Electronics Association's Industrial Relations Committee, past chairman of the Southern California Technical Personnel Committee, member of the Industry Advisory Council to Chancellor Dumke of the California State University & Colleges, and president of the Board of Trustees, California State University, Northridge. In addition, I am participating on the California Roundtable Task Force on Jobs and Education.

I was asked to address my testimony to the occupational and skill needs of industry in California and the efforts which should be undertaken to equip the structurally unemployed or displaced worker with the necessary skills. While I

cannot speak for all California industry or industries, I can speak, I believe, for the so-called high technology industries, such as aerospace and electronics. My company was a pioneer and has had considerable experience in hiring and training the disadvantaged, the structurally unemployed, and the displaced worker. Under my old boss, Jim Hodgson, who later became Secretary of Labor, Lockheed established three experimental programs at our largest divisions to determine the feasibility and methods for hiring, training, and motivating disadvantaged persons. Later, in the San Francisco Bay area, we established two training centers to recruit, train, and motivate disadvantaged persons for employment with other companies. Though we received some assistance from MDTA, most of the cost was absorbed by ourselves and participating companies. During the severe cutbacks in our industry during the late 1960's and early 1970's, Lockheed took the lead with the American Institute of Aeronautics and Astronautics to establish workshops on job hunting techniques and retraining programs for displaced engineers. I recite all this to demonstrate our long experience and strong interest in the subject.

It must be recognized that manufacturing employs only about 20 percent of all workers nationally and 18.7 percent in California. Too often solutions are geared to the manufacturing sector while other sectors which might produce more jobs at less expense are ignored. I will attempt to make my remarks sufficiently broad to encompass all areas rather than just manufacturing or high technology industries.

It is very difficult in this state to comprehend or rationalize how over 800,000 people can be unemployed, when close to 800 million dollars is spent annually in California on vocational training, and companies like Lockheed have to recruit nationally, and other companies internationally, to meet our needs for skilled workers. It is obvious that many of the unemployed either do not have the requisite skills, are not motivated to work, or a combination of both. We—industry, academe, and government—have a problem and only we, working together, can solve it.

Our industry, aerospace, is at about 620,000 employees in California, matching our peak employment in 1968. Nationally, aerospace employment is at about 1,200,000, below the peak of some 1,600,000 employees in 1968. We are presently "flat." Like electronics, our military business is holding firm or up slightly, while the commercial side has been declining.

We know that decisions on several extremely large military programs are pending, all of which will heavily impact the California job market. These include the MX, B-1, CX, C5A, and advanced technology aircraft programs. Regardless of which programs are approved, it is important to note that staffing will initially be relatively small, primarily engineers and support type personnel. Then, pre-production personnel: tool and die makers, jig and fixture builders, production planners, etc. And, finally, two or three years down the road, large numbers of production personnel. The initial requirements are for personnel whose qualifications require long preparation, those who are already educated or trained, e.g., engineers and technicians. The aerospace industry is particularly adept at "making do." We are, I believe, quite capable of recruiting needed talent, if it exists. If it does not exist, we are capable of restructuring the jobs, if necessary, and training or retraining personnel to perform them. This, however, has become increasingly difficult for three primary reasons:

1. Many would-be employees lack the motivation to seek out and prepare themselves for existing or to-be-created jobs. A possible corollary of this is lack of communications or understanding of the job market.

2. Our schools are failing miserably to provide young people with the basic education required to qualify for jobs or training leading to jobs.

3. The design of government supported training programs, such as CETA, are flawed in their execution, are wasteful, and poorly serve those who they are supposed to help, both the employers and potential employees.

With regard to lack of motivation, it's difficult to point to any one or even a few primary causes. Some that have been suggested are welfare, break-up of the family structure, disrespect for authority, declining role of religion, incentives, and so on. I commend to you John Gardner's excellent book on "Excellence" which bears directly on this subject and education. He describes the basic conflict between excellence and equalitarianism, and how the achievement of one essentially nullifies the other.

At a recent meeting of the California Roundtable, Jim Guthrie, Chairman, Department of Education, University of California, Berkeley, presented a paper on "The State of Education in California. Here are some items of interest:

California contains approximately 10 percent of the total public school enrollment in the United States, approximately 4 million with another 500,000 in non-public schools.

Scores of college-bound seniors on both the verbal and mathematics dimensions of the Scholastic Aptitude Tests (SAT) have fallen at a faster rate than the national decline.

Compared to the rest of the nation, a substantially smaller proportion of California college-bound students take advanced, or difficult, courses. Of those California high school pupils taking the SAT, only about 5 percent of the females and 11 percent of the males complete a third year science—less than one-half the national rate; far fewer California students take a fourth year of English or math.

Five percent of California pupils now take trigonometry. Nationally, almost three times as many students are enrolled in such courses.

The average textbook is now written one to two grade levels below comparable books of ten years ago.

Course standards, grading, workmanship, amounts of homework assigned, and behavioral expectations have declined; nearly one-half of California's twelfth graders do less than one hour of assigned reading each day.

The highest scoring group of pupils are those considered fluent in English who also speak Chinese or Japanese.

Annually, California now spends more than $11 billion to support all facets of lower education. This results in annual operating expenditures per elementary and secondary schools pupil in excess of $2,200, a figure which approximates the national average.

At this same meeting, Lewis Beall, Superintendent, Azusa Unified School District and President, California City School Superintendents' Association, presented a paper which he had co-authored on "A Path To Excellence." Here are a few of the many important points raised:

The schools' primary responsibility is the maximum intellectual development of each student.

The characteristics of superior schools include: Active learning time; student behavior (discipline); academic emphasis; high expectations; and strong instructional leadership.

The great morass of restrictions, limitations, mandates, opinions and guidelines is seriously impeding the public schools' ability to make progress towards excellence.

The primary ingredients for turning our school system around include these:

1. Determining what we want from our schools.
2. Providing flexibility, local control, and governance by those closest to the schools and removal of the morass of legislative mandates and regulations.
3. Adequate funding.
4. Community involvement.
5. Testing to determine status and progress.
6. Incentives for schools and faculties to achieve or exceed mutually derived standards for pupil achievement.
7. Requiring every graduate to have a marketable skill.
8. Greater emphasis on the basics: reading, writing, mathematics, and science.
9. Vocational schools with full industry participation.

Let me briefly expand on my criticism of government training programs. I stated that they are flawed in their execution, are wasteful, and fail to serve the needs of both the employers and potential employees. This can be effectively remedied by overhauling the system and placing the responsibility for training on the employer or consortium of employers, the providers of jobs. This could be administered by private industry councils, such as exist, and monitored for effectiveness by the GAO, IRS, or similar "non-political agency."

I have not touched for want of time on an exceedingly serious problem which vitally affects our national economy and perhaps our survival as a free nation. That is the deplorable state of engineering education in the United States. We live in an increasingly technologically oriented age, yet our engineering schools are having to limit enrollments for want of instructors, equipment, and general support. I recommend this subject to your subcommittee's early and serious concern.

How do you sum it up? Despite the best of intentions and an enormous expenditure of our wealth, the effectiveness of the job market and the educational system increasingly fail to meet the needs of employers, employees, and our society. Remedial action is urgently required and will require the joint efforts of all.

Mr. HAWKINS. The next witness is Mr. Harvey Brenner, United Auto Workers, region 6.

STATEMENT OF HARRY BRENNER, UNITED AUTO WORKERS, REGION 6

Mr. BRENNER. Chairman Hawkins, members of the committee, I am a representative of the UAW, an organization of 1¼ members. At the present time roughly 300,000 of these members are out of work with little likelihood of being recalled to their jobs. Right here in California we have had a Chrysler plant, a Mack Truck plant, a Ford plant, a Harvester plant close with no likelihood of them opening up again in the future.

While skills are required of auto workers to perform their duties, these skills are not readily transferable to other industries. It does take some skills for somebody to slap four tires and a spare on a car in 2 minutes flat, minute after minute, but other industries do not have a need for these type of skills.

Laid-off auto workers for the main part must be retrained in new skills in order for them to be employable. They must be trained in salable skills in today's job market. If not, they do undergo a severe reduction of their standard of living, many of them below the poverty line.

Here in southern California there is a great need in industry, as has been expressed by the other two gentlemen, for skilled workers, primarily in the machine field, in electronics, computer industry, and always in clerical. Entering these fields requires specialized training both in theory and hands on. Additionally, in many cases, workers require an extra boost in order to get on-the-job training with an employer. Schoolroom training as good as it is sometimes does not enable a person to get hired without effective on-the-job experience. On-the-job training programs, we have found, under the Comprehensive Employment Training Act are an effective way of getting somebody established in employment. As a matter of fact, all training programs, we feel, are about as most cost-effective a way as possible for the taxpayer to handle the problem of structurally unemployed. The cost of unemployment, welfare, the rising rate of crime, and imprisonment far outdoes any possible cost of training. The cost of sending somebody to Harvard is less than sending somebody to prison. It would be a lot more effective to cut down the rate of somebody going back to prison again.

Actually, a training program would be as big a bargain as the American taxpayers can have in this area. Among the various types of training programs, we found that OJT is probably the most cost effective as such. It results in the greatest number of unemployed persons being retained in unsubsidized employment at a lower rate of cost to the taxpayer. Hopefully that would be a higher rate of pay.

Mr. WASHINGTON. Hopefully.

Mr. BRENNER. OJT programs generally work if employers are reimbursed a portion of the trainee's wages up to 50 percent for a period of time depending upon the complexity of the job, with the prior agreement that these workers would be retained in unsubsidized employment at the completion of a successful training program.

In California, UAW is involved in two rather new programs that have highlighted another problem under the present legislature. In

the Hayward, Calif., area, the UAW in conjunction with the AFL Human Resources Development Institute, the mayor's office, and funding by the local PIC, have placed 237 auto workers, laid off from the Mack Truck plant, into new jobs which average $10 an hour. These figures are as of August 1 of this year. Because the closing of the Mack plant was considered the major plant shutdown, these members were eligible for this type of immediate assistance. In southern California, we are currently working on a program in conjunction with the EDD that is funded by the Governor's 4-percent discretionary funds and provides on-the-job training and direct placement for structurally unemployed auto and rubber workers.

But here in southern California, many of our members and laid-off members of other industries are not eligible for this type of aid until such time as their family incomes have been reduced below the poverty level for a period of 6 months. This means that an employee that gets laid off and collects unemployment insurance and SUB could be laid off for a period of a year and a half possibly before being eligible for training in order to enter the field in which he would like to get into.

We think this is a problem that should be addressed.

Thank you for giving me this opportunity to speak.

Mr. HAWKINS. Thank you, Mr. Brenner.

Our next witness is Mr. Henry Feltenberg, president, Black Business Association of Los Angeles.

STATEMENT OF HENRY FELTENBERG, PRESIDENT, BLACK BUSINESS ASSOCIATION OF LOS ANGELES

Mr. FELTENBERG. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, I am Henry Feltenberg, president of the Black Business Association of Los Angeles. The Black Business Association is a trade organization made up of over 175 black businesses operating in the Los Angeles area. Our member companies are diverse in nature, with capabilities that include professional services, manufacturing, retail, financial management, communications, research and development, construction, and public affairs. My comments are reflections of views expressed by members of the association I represent and other business persons not necessarily in membership but sharing similar concerns.

Mr. Chairman, we appreciate your invitation to the Black Business Association to share with this committee our views and recommendations regarding Federal legislative and administrative factors which affect the occupational and skill needs of small businesses in general and small minority businesses in particular.

Current economic policies are impacting small businesses' abilities to effectuate positive employment goals. Some of these policies create a negative environment for small and minority business which is not conducive to extensive expansion of business which ordinarily requires additional employees to be hired It is within this environment that it has been requested that my testimony today specifically address the occupational and skill needs of industry in California and the efforts which should be undertaken to equip the structurally unemployed or displaced worker with the necessary skills.

The small and minority business community is the foundation of this Nation's economic system. More than 98 percent of the commercial establishments in the United States are small businesses. There are nearly 14 million small businesses in this country. Small business is indeed the heart and backbone of the American economic system. A national study revealed that during a recent 8-year period nearly 90 percent of all new jobs were developed in businesses employing fewer than 50 persons. Small businesses have also been responsible for more than 70 percent of innovative product development.

Small businesses provide socially and economically disadvantaged individuals with the opportunity to break out of the pattern of discrimination and limited opportunity often faced in corporate America.

Yet, instead of encouraging small business innovation, current Federal policy has stifled progressive expansion of small business. Small businesses received less than 5 percent of the Federal research and development funds, while the largest firms received more than 50 percent of Federal research and development dollars.

In view of these conditions, it is critical that the administration begin to foster policies which will support small and minority businesses. This lack of effective vision impacts directly on small business' ability to find or attract the skilled labor pool it so desperately needs. The manpower system has failed to keep up with industrial change.

NBC news correspondent Lloyd Dobyns says:

> One of our major difficulties is that work is changing in America but the work force is not changing to keep up. Skills which are being phased out of the economy leave a residue of unemployed while companies and industries which are being phased in are terribly short of skilled workers.

If we focus for a moment on the problem of secretarial shortages in an era of the high technology of the office of the future we can examine the total macrocosm of the problem through this microcosm.

There is an acute shortage of secretaries, 98 percent of whom are women. With increased job mobility, women now seek other, better paying, administrative and executive positions. If anything, women think of secretarial work as entry level only.

This problem can be remedied by training the structurally unemployed to fill these voids.

As we investigate this issue, it is necessary for me to give you the benefit of my business experience. Transwestern Institute is invoived day to day with training of the structurally and economically handicapped individuals in our society.

Presently, there are not sufficiently enough effective programs to encourage the kind of training to prepare the structurally unemployed for the work place of today and tomorrow.

Successful training centers must be operated by persons sensitive to the needs of the client groups.

There must be proper incentives for the operators of these training programs. Currently there exists many disincentives which force viable training programs out of the target problem area. These problems include insufficient funding, interrupted funding cycles, and slow payment of reimbursable costs. As a consequence

we find more and more that large industry participates in the training of the structurally unemployed. This seems like a good solution since these companies have enough resources to create extensive OJT programs. However, most of these programs are relative failures because the trauma of the participant's current lifestyle is too great when entering the corporate, or structured environment. It is necessary to create a bridge to provide egress from one life to access to another. Transwestern Institute has devised a system of remediations which changes the cognitive recognition responsive level from a nonproductive, careless, learn and do nothing register to a positive response-oriented register in which the trainee deconditions negatively learned precepts and habits and is reinstructed so that absorption of new knowledge is made possible.

Transwestern's major task is to prepare CETA clients for OJT assignments with various participating companies. These companies fall into two major groupings: Small and minority businesses; and major corporations participating in already structured OJT programs at their sites.

Transwestern's human engineering experts present to each participant in this program a course in learning readiness. Many CETA clients have had prior experiences with educational and job training programs that have not been successful, many carry poor expectations regarding future learning and working experiences. The participants of this program learn how to overcome poor work habits, develop concentration skills and are introduced to Transwestern's world of work programs.

The program has been specifically designed to insure the participants of a smooth transition into the business environment. Many clients from the inner cities suffer culture shock which acts as a barrier to good job performance. The human resource development and remediation courses covered during this program provide adequate preparation which aids and assists the clients in their adjustments to the business environment. The program greatly increases the likelihood of continued successful unsubsidized employment at the end of the OJT assignments.

In the architecture of this program our intended goals are the recruitment, intake, and assessment of OJT candidates. A developmental assessment process will be conducted with OJT employers. This information will be used as an aid in the design of employability plans for participants entering the program. Once in the program, the participant will be given remediation and human resources courses that will aid them in their adjustment to the OJT work environment.

A portion of effective training moneys must be earmarked for small businesses in the business of training.

A system of networking must be developed in the small and minority business community to insure continued access to the skilled labor pools by the newly trained, or skilled; and to the small and minority firms in need of skilled labor. As an example, I would like to leave with you, Mr. Chairman, a sample of such a plan as I submitted on a State level.

The CETA program, titles II–B and VII, are responsible for much of the success in training that does exist today. I would hope that

the future bodes well for increased spending in an area as important as this one is for America. Without such supports, I don't see how we can prevent a tearing of this Nation into two and distant sectors, the have's and the have nots.

America's overall blueprint for economic recovery must contain a system whereby small business can be assured of access to affordable skilled labor and that the structurally unemployed or displaced worker can look forward to being provided with necessary skills. These are natural imperatives.

I thank the committee for the opportunity to present our views. I hope that the committee will continue to look to the Black Business Association of Los Angeles as a resource in establishing a viable agenda for the future.

Mr. HAWKINS. Thank you, Mr. Feltenberg.

[The information follows:]

PROPOSAL

Prepared for

THE STATE OF CALIFORNIA CETA OFFICE

PROPOSAL CONTROL UNIT

PROPOSAL TITLE:

BLACK ECONOMIC DEVELOPMENT = JOBS

Prepared by:

TRANSWESTERN DIVERSIFIED CONSULTANTS, INC.
1725 West Sixth Street - Second Floor
Los Angeles, California 90017
(213) 483-1880

June 1981

Attachment 1

STATE CETA OFFICE
APPLICATION FOR FUNDING

Instructions: To apply for funding from the State CETA Office, complete this document in its entirety (See Page 12 for instructions for completion).
Submit 5 copies to: State CETA Office
800 Capitol Mall, MIC 77
Sacramento, CA 95814
ATTN: Proposal Control Unit

Applications must be postmarked no later than June 26, 1981.

FOR STATE CETA OFFICE USE ONLY
NO.
DATE REC'D.
ASSGN'D TO.

1. GENERAL INFORMATION [X] *New Application* [ ] *Renewal Application*

Name of Applicant Organization: Transwestern Diversified Consultants, Inc.

Address: 1725 West Sixth Street - Second Floor
Los Angeles, California 90017
(City) (State) (Zip)

Program Director: Henry Feltenberg (213) 483-1880
Telephone No.

Contact Person (If Other Than Director): Same ( )
Telephone No.

Type of Organization (Profit, Non-Profit, Prime Sponsor, etc.): Private for Profit

Title of Proposal: BLACK ECONOMIC DEVELOPMENT = JOBS

Total Funds Requested: $786,899.00

Total Participants To Be Served: Not Applicable

Duration of Project: October 1, 1981 (From) September 30, 1982 (To)

Location of Project (Identify City, County, Geographic Area): Project will serve the State of California

PROGRAM CATEGORY:

[ ] *Youth*

[ ] *Employment, Training, Coordination*

[X] *Community Revitalization*

Goal Addressed (Show Page and Identifying Number): PAGE 11, GOAL NOS 1, 2 & 3

NOTE: At the same time you submit this proposal application to the State CETA Office, submit one copy to your local Prime Sponsor and one copy to the appropriate EDD CETA Regional Coordinator. See separate mailing lists in your RFP package.

2. SIGNATURE SHEET

As an applicant for State CETA Office funding, Transwestern
(Name of Organization)
hereby proposes to provide and deliver employment and training programs and services as stated in this proposal. If this proposal is approved, negotiated and funded, it is agreed that the provisions of the Comprehensive Employment and Training Act as amended in 1978 or, if applicable, the California Youth Employment and Development Act of 1977 and other assurances required by the State CETA Office will be followed.

Furthermore, as a duly authorized representative of the applicant, I certify that the information provided in the proposal is correct to the best of my knowledge and that Transwestern (Name of Organization) is fully capable of fulfilling its obligations as stated in this proposal.

Henry Feltenberg - President
(Name and Title)

1725 West 6th Street
(Organization's Address)
Los Angeles, CA 90017

(Signature)

(213) 483-1880
(Area Code and Telephone No.)

June 26, 1981
(Date)

3. Estimated Characteristics of Participants To Be Served (If applicable)

THIS SECTION IS NOT APPLICABLE

SEX	No.	%	ETHNIC GROUP	No.	%	AGE GROUP	No.	%
Male	____	____	White	____	____	14 - 15	____	____
Female	____	____	Black	____	____	16 - 19	____	____
Total	____	100%	Hispanic	____	____	20 - 21	____	____
			American Indian/ Alaskan Native	____	____	22 - 44	____	____
			Asian/Pacific Islander	____	____	45 - 54	____	____
			Total	____	100%	55 Over	____	____

TARGET GROUP	No.	%
Handicapped	____	____
Offenders	____	____
Displaced Homemakers	____	____
Persons of Limited English Proficiency	____	____
Single Parent	____	____
Public Assistance Recipients	____	____
Veterans	____	____
Migrant or Seasonal Farm Worker	____	____
Older Worker	____	____
Youth	____	____
Women	____	____
Other (Specify)	____	____

4. PROJECT SPECIFICS

A. Project Summary

Transwestern is pleased to present to the State of California plans for a fully automated Procurement Management Information System specifically designed for the economic development of the Black communitites of California. Transwestern's project "BLACK ECONOMIC DEVELOPMENT = JOBS" fosters and creates the economic development necessary to ensure the availability of jobs within the Black Communities of California.

A One-Stop Resource Center (hereinafter referred to as the "Center") offering computerized data collected from the community, private industry and public agencies would for the first time be made available under one Procurement Management Information System. Directories, contract opportunities, mailing lists and employment opportunities listings would also be available from the Center.

A magazine entitled "California Black Economic Digest would be created from the information stored at the Center. This publication will highlight various business opportunities in the State, profile community businesses, provide informative information as to legislative news, announce contract opportunities, calander events of interest to the community, along with articles of interest written by members of the community, private industry and public agencies. Display and classified advertisements would also be provided.

The implementation of the Center and the services it would provide will lead to the creation of much needed Jobs within the Black communities of California on an ongoing basis.

B. Need for the Project

Define the problem or condition which makes this project necessary.

Transwestern has identified the need for effective Black economic development in the State of California. This need is evidenced by the high rate of unemployment found in these communities The Black communities in the State of California are currently economically handicapped. This economically handicapped community is currently experienceing one of the highest unemployment rates within the State of California.

An urgent need exists for the services of the Center. The Center would provide, in addition to the processing and dissimination of information, support and training services in the areas of management, marketing, financing, government relations,

B. Need for the Project (Continued)

industrial relations, public relations and other related areas. This Center would allow for government and private sector experts to periodically schedule appointments and/or provide open forums, counseling and information sessions to interested parties. It would also offer an excellent opportunity for post bid conferences, designed to assist those non-selected bidders in indentifying areas of weakness. Our publication "California Black Economic Digest" would provide for the communication of necessary information to the communities, private industry and public agneicies.

A computer system would be programmed to match buyers with sellers as well as to prepare directories of businesses, which would includes their capabilities and types of services offered. This system would also allow for the continuous updating of information to ensure the accuracy of information stored in the data banks.

The Center would be of considerable value to the small businesspersons making one-stop and obtaining information from all levels of government, as well as elements of the private sector corporate structure. The facility would create a central site for businesses, both large and small, to use as a resource center. Resources, that once used, help to ensure the continuance and creating of new job opportunitites for the Black communities of the State of California.

The program would provide as a bi-product, a mailing list of great value to the Black community as well as public agencies, and private business.

C. Overall Purpose of Project

State in general terms how the project will help to solve the problem or condition stated under B above.

The Center will become a vehicle in which to channel and disseminate information that will help to restore economic health and vitality to the Black communities within the State of California. The restoration of economic health and vitality to these communities will ensure the availability of jobs.

The linkage created by the Center between the communities, private industry and public agencies brings about the solution to this problem. Never before has any program sought to synergistically create a communications network that has been specifically designed to decrease the high rate of unemployment currently existing within the Black communitites of the State of California. The locating and identification of all Black business in every industrial category and the ideal that we will identify all community based organizations, locate and input all black trade associations, and list contract opportunities for private business and public agencies, creates a natural economic resource for the Black Community.

Once all input is finished, we will compute and publish job opportunitites which exist within the MIS unit. "California Black Economic Digest" will of course publish, on a continuing basis, the data collected by the MIS unit to all quarters of the community within the State. Our computer will make it possible to link job opportunities data with candidates available from CETA and other employment and training programs. (Screening and assessment input will be required).

The tremendous resource created, the economic growth accomplished, and the ease of job placement for clients easily makes this project one of the most important ever to be submitted in the State of California.

D. Project Objectives

Identify all major objectives and how attainment of each objective will help to meet the overall purpose of the project. Complete project time schedule.

To meet the purpose of the project, each of the objectives herein listed must be met. The following item by item explanation, breifly describes the program objective and how that objectives will be accomplished.

OBJECTIVE 1

To link CETA and other employment and training programs to economic development activities.

The proper computer software design will allow Transwestern computers to accept information output from various CETA and non-CETA training programs. This information, on intake and assessment, will be analyzed, categorized, compared and matched to existent and newly created information from the economic development data banks developed by the Center's MIS unit.

OBJECTIVE 2

The Development and coordination of economic development activities which will result in a significant numbers of jobs for unemployed and disadvantaged persons.

To quantify the total resources of the community is the first activitiy necessary for the development of the Center. Major corporations, government agencies, and private organizations cannot now find potential businesses to present various contract opportunities. Opportunities that would create a positive economic developmental environment. The delivery of the total benefit package contained herein will guarantee the economic development of the community, and thereby stimulate job creation for the economically disadvantaged now residing within the Black communities of the State of California.

OBJECTIVE 3

To coordinate the community and it's organizations enabling them to identify job creation problems, needs, and available resources.

This project will develope the most comprehensive mailing list currently in use for this purpose. A maintenance system, designed specifically for this purpose, will keep all information current and up to date. We will be able to coordinate changes

OBJECTIVE 3 (Continued)

occuring within the community through our established communitations system. We intend to mail activities newsletters, publish our own magazine, and utilize public service announcement spots. A sophisticated speakers bureau and public relations department will utilize established radio and television interviews spots. Our consultants will help the community organizations to identify job creation problems, show them how to fill their needs with available resources located at the center.

OBJECTIVE 4

To mobilize a component which could cope with the problems associated with plant closings or budget cuts (i.e., CETA Titles II-D and VI) and find job opportunities for those victims.

The problem associated with plant closings and budget cuts are simply handled by plugging in available information into Transwestern's One-Stop Resource Center. After input into our MIS Unit, the computer is utilized to match available resources with job opportunitites.

OBJECTIVE 5

To improve support structures for the creation of new employment opportunities.

By improving the actual productivity, amount of contract business available, and degree of co-ordinated participation of all users of [illegible] Center State wide, we will energize economic development. The natural consequence is that of job creation. Since our survey methods will allow us to have knowledge of job creation, we will have a job hot line. This objective is easily met because of the potential candidates housed in our data bank.

OBJECTIVE 6

To develop new methods to increase productivity of businesses which are under-performing relative to the demand for their services; and create new support vehicles for the enhancement of job creation activities

The methods to accomplish this objective are:

1. Communications
2. Networking
3. Seminars
4. Increased contract opportunities
5. Exposure to potential users products, or services

A-5b

OBJECTIVE 6 (Continued)

6. Contract, proposal, and bid resource centers to help facilitate proposal and bid subission.
7. Job fairs
8. Business development shows (MBOD)
10. Capital formation information.

OBJECTIVE 7

To promote activities related to industrial and commercial development in rural and urban areas in which high unemployment is being experienced.

The same basic management of problems as discussed in Objective 6 would be used relevant to rural areas. Information concerning little known programs which can be utilized for commericai and industrial development will be made available.

OBJECTIVE 8

To promote clearning house and networking activities for small businesses to facilitate information sharing and assistance referrals.

Transwestern's One-Stop Resource Center will become a clearing house for information utilizing our computerized data banks. Information from the Center is shared with those subscribers to our service on a regular basis, or through our recorded daily message available 24 hours a day, or through our magazine, newsletter, speakers bureau, etc. Networking activities are created through our ability to communicate and structure networking activities on a broad or localized basis. Assistance referals are made through our computer information facilities, which is able to respond to request in moments.

OBJECTIVE 9

To improve the visability of small businesses as a significant source of employment for entrepreneurs and employers.

The total of what has been discussed in reference to this project will clearly improve the viability of small businesses becoming employers more than any project designed for this purpose in the past.

OBJECTIVE 10

To test and compare the job creation potential of various models of small business enterprises.

By the creation of computer software to do model benefit and analytical computer profiling we will be able to measure the potential of various small businesses to test their capabilities for present and future job creations.

OBJECTIVE 11

To institutionalize an information delivery system for small, medium, and large businesses as well as the political establishments, and public organizations.

Institutionalizing an information delivery system is achieved through:

1. Computer hot line
2. Newsletter
3. Public relations department
4. Magazine
5. Speakers Bureau
6. One Stop-Resource Center

OBJECTIVE 12

To structure the project so that at the end of 12 months, it will operate on an unsubsidized basis.

Through subscription to this program of a modest yearly fee, through usage charges for information requested from non-subscribers, through advertising revenue from the magazine and newsletter, and other revenue generating activities we will be able to operate on an unsubsidized basis at the end of one year.

PROJECT TIME SCHEDULE

TITLE OF PROJECT
BLACK ECONOMIC DEVELOPMENT = JOBS
DURATION OF PROJECT
FUNDING DURATION, 2 YEARS OVERALL
DURATION, INDEFINITE

PROJECT OBJECTIVES	ACTIVITIES TO BE ACCOMPLISHED	1980 OCT	NOV	DEC	JAN	FEB	MARCH	APR	1981 MAY	JUN	JUL	AUG	SEP
1. Link CETA and other programs together	a. Computer acquisition		X										
	b. Staffing	X	X	X									
	c. Software development	X	X	X									
	d. Research and information development	X	X	X	X	X	X	X	X	X	X	X	X
2. Develop and coordinate economic development activities	e. Issue newsletter and magazine published							X	X	X	X	X	X
	f. Public relations department development			X	X	X	X	X	X	X	X	X	X
	g. Speakers bureau development			X	X	X	X	X	X	X	X	X	X
	h. Plug-in information from CETA and other training agencies			X	X	X	X	X	X	X	X	X	X
Coordinate community, its organizations (Activities necessary are scheduled)													
Plant closing and budget cuts		X	X	X	X	X	X	X	X	X	X	X	X
Support structures private and public	i. Procurement outreach								X	X	X	X	X
	j. Install job hot line												X

PROJECT TIME SCHEDULE
(Cont'd)

TITLE OF PROJECT
BLACK ECONOMIC DEVELOPMENT = JOBS
DURATION OF PROJECT
FUNDING DURATION, 2 YEARS OVERALL
DURATION, INDEFINITE

PROJECT OBJECTIVES	ACTIVITIES TO BE ACCOMPLISHED	1980 OCT	NOV	DEC	JAN	FEB	MARCH	APR	1981 MAY	JUN	JUL	AUG	SEP
6. Increase productivity	k. Seminars begin					X			X	X	X	X	X
	How to clinics										X	X	X
	Job fair												X
	l. MBOD show									X			
	m. Capital formation information				X	X	X	X	X	X	X	X	X
7. Industrial and commercial (activities this objective already scheduled) expanded.													
8. Clearing house and networking (activities for this objective already scheduled)													
9. Viability of small business as an employer (activities for this objective already scheduled)													
10. Test and compare	p. Software production finisher												

PROJECT TIME SCHEDULE
(Cont'd)

TITLE OF PROJECT
BLACK ECONOMIC DEVELOPMENT = JOBS
DURATION OF PROJECT
FUNDING DURATION, 2 YEARS OVERALL
DURATION, INDEFINITE

PROJECT OBJECTIVES	ACTIVITIES TO BE ACCOMPLISHED	1980 OCT	NOV	DEC	1981 JAN	FEB	MARCH	APR	MAY	JUN	JUL	AUG	SEP
11. Institutionalize information delivery system (activities for this objective already scheduled)													
12. Structuring for unsubsidizd operation sales revenues receipts	Sales revenue generation												

PROJECT TIME SCHEDULE

TITLE OF PROJECT
BLACK ECONOMIC DEVELOPMENT = JOBS
DURATION OF PROJECT
FUNDING DURATION, 2 YEARS OVERALL
DURATION, INDEFINITE

PROJECT OBJECTIVES	ACTIVITIES TO BE ACCOMPLISHED	1982 OCT	NOV	DEC	1983 JAN	FEB	MARCH	APR	MAY	JUN	JUL	AUG	SEP
Not applicable													

NOT APPLICABLE

E. Major Activities

Describe each major activity you will undertake in the project including the organizational component responsible for the activity. Include: who will benefit from each activity. When possible, expected results should be expressed in measurable terms.

a. Computer Acquistion - Transwestern's Data Processing Manager will be responsible for computer acquisition. This will be done after a through feasibility study of the marketplace has been conducted. Transwestern's 18 years of experience in this area will be fully utlized during all phases of the feasibility study and acquisition.

b. Staffing - Transwestern will utilize State wide personnel resources in staffing this project.

c. Software Development - The needs for software development will be documented at the start of our Data Processing Manager's feasibility study; he will have prime responsibility for the purchasing and/or development of this software.

d. Research and Information Development - This department will be manned by staff members selected from the community, private business and Transwestern's public sector experts.

e. Magazine and Newsletter - Transwestern's Publishing Department.

f. Public Relations Department - This department will be manned by marketing experts.

g. Speakers Bureau - Transwestern's Administrative Department will be responsible for this area.

h. Input From CETA and Other Providers of Training - Transwestern's Research and Development Department, and administrative personnel will work in this area.

i. Procurement Outreach - Transwestern's Marketing Department personnel will work in this area.

j. Hot Line Operation - This department will be staffed from Transwestern's Administration Department.

k. Seminars, "How to Clinics", and Job Fairs - Transwestern's staff consultants and administrative personnel will work in these area.

E. Major Activities (Continued)

l. MBOD Show - This being one of the projects major events, Administrative personnal with this assistance of each department will be involved.

m. Capital Formation Information - Transwestern's Administration Department will work in this area.

n. Software Development - The Data Processing Department will be responsible for this area.

o Sales Revenue Generation - Transwestern's Marketing, Administration, and Staff Controller will work in this area.

The overall benefit of these major activities is a more stable economy within the Black communities of the State of California. By stabalizing the economy of these economically handicapped communitites, we have on a State wide basis reduced unemployment, which will result in a higher standard of life for the residences of these communities. There is also a benefit to each taxpayer in the State, based on a reduction of services offered.

F. Participant Selection (when applicable)

Describe the methods to be used in recruiting and certifying the eligibility of participants.

Not Applicable to this Project.

G. Job Placement (when applicable)

Describe methods to be used to assist participants to become employed in unsubsidized jobs at the end of program participation.

The linkage created by the Center between the communities, private industry, and public agencies is a natural vehicle to create job opportunities within the Black communities located in the State of California.

Using the information stored in the Center's data banks, we will compute and publish the job opportunities which exist within the MIS Unit. Using the Center's computer, OJT slots can be readily identified. Those completing other CETA training programs will be entered into the Center's computer and matched with available permanent unsubsidized job opportunities.

H. Innovative Aspects

Describe innovative aspects of the program design.

The innovative aspect of the project is clearly portrayed by its title "BLACK ECONOMIC DEVELOPMENT = JOBS". The synergy of economic development of the Black communities within the State of California and its relationship to job creation has only been in the past mere conversation. This project makes economic development a reality.

5. PROGRAM ADMINISTRATION

A. ORGANIZATION GOALS AND OBJECTIVES

Briefly describe the goals and objectives of your organization.

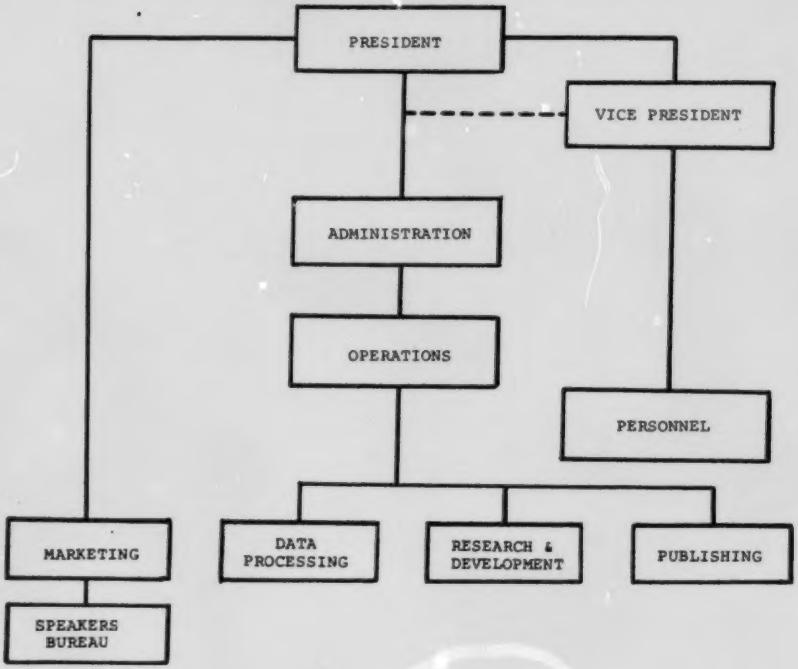
Transwestern's project

" BLACK ECONOMIC DEVELOPMENT - JOBS"

fosters and creates the economic development necessary to ensure the availability of jobs within the Black communities of California.

B. ORGANIZATION CHART

TRANSWESTERN DIVERSIFIED CONSULTANTS, INC.



B. ORGANIATION CHART (Continued)

Based on the organization chart, identify staff positions to be covered by the subgrant and include a brief position statement of each staff position covered by the subgrant. (See following page)

PROJECT STAFFING

Position	Brief Job Description
Administration	
President	Overall responsibility for the successful operation of the project
Vice President	Responsible for project personnel and the operational functions of the project
Executive Director	General responsibility for operatiuons and project administration
Administrative Aide	General administrative aide to the Executive Director of the project
Executive Secretaries	General clerical work for project executives
Bookkeeper	Financial records
Proposal Writer	Responsible for all proposal writing
Secretaries	Clerical work to support to project
Receptionist	Primary telephone responsibility for the project
Marketing	
Marketing Manager	Responsible to administration for the marketing duties of the project
Sales Person	Selling project programs
Public Relations Manager	Administrative public relations for the project

B. ORGANIATION CHART (Continued)

PROJECT STAFFING (Continued)

Position	Brief Job Description
Personnel	
Personnel Manager	Hires personnel for staff positions
Employment Coordinators	Responsible for project interface with CETA and other employment and training programs
Data Processing	
Data Processing Manager	Responsible for all computer related activities including programming for the program
Data Processing Operators	Responsible for all data entry operations and research of "hot line" inquiries
Research and Development	
Research & Development Manager	Responsible for the operations of the research and development of data for the project
Investigator	Supplies new and updated information to be entered into the computer data banks
Publishing Department	
Publisher	Responsible for various project publications
Reporter	News and infromation gathering for project publications
Photographer	Responsible for all photographers utilized in project publications
Circulation Experts	Distribution and sales of projects publications

B. ORGANIZATION CHART (Continued)

PROJECT STAFFING (Continued)

Position	Brief Job Description
Speakers Bureau	
Bureau Chief	Responsible for activities and media exposure for project activities
Speakers	Present public presentations and participate at functions which benefit and given results

C. SUBCONTRACTOR RELATIONSHIPS (If Applicable)

Not Applicable for this project

D. Coordination

Describe plans for coordination with other delivers of services and identify those deliverers.

The project team will work closely with and coordinate activities with the following organizations: EDD; the Community College Board; Bureau of Apprenticeship Standards; CETA Prime Sponsors within the State; Private Industry Councils within the State; California Worksite Operations; Community Based Oraginzations; and other private providers of training within the State. Available data from the activities of the above listed entities will be input into our MIS unit at the Center to facilitate the goals and objectives of the project.

E. Co-Funding

Describe plans for using other funding sources to expand or enhance this porposal. Identify sources and amounts.

The project team will seek whatever participations as are applicable from the identified providers of services listed in "D" above.

F. LOCATION OF TRAINING SITE

A. Identify proposed location of offices and training sites and the function to be performed at each site. Indicate addresses if known.

Proposed Locations and Functions to be performed:

The program site will be located as follows:

Administrative Offices
Transwestern Diversified Consultants, Inc.
1725 West 6th Street - 2nd Floor
Los Angeles, California 90017

The Center will be housed at this location.

Branch Office
The Central Building
Broadway and 14th Streets
Suite 1120
Oakland, California 94612

The Branch office will be involved in research, data collection to be forwarded to the Center, and non administrative activities.

B. Private Sector Involvement

Private sector involvement will be realized from subscribers participating in the program. Companies which identify entry level, upgrade, or OJT job slots and/or make commitments to participant by providing information to the Center's data banks will also be participants in the project.

G. ORGANIZATION'S FUNDING

Provide the following information on sources of funding:

1) Organization's current year (FY 1981) budget: $ 1,200,00

2) Primary source of $ General Business Activity

3) Identify other grants received:

Funding Source	Funding Level	Purpose

S E E A T T A C H E D C H A R T
(Page A-14a)

H. PAST PERFORMANCE

Identify any CETA or other grants received in the past 5 years. Include (or attach) information on past fiscal and program performance.

S E E A T T A C H E D C H A R T

(Page A-14a)

G. ORGANIZATION'S FUNDING (Attachment to Page A-14)

Funding Source	Funding Period	Funding Level	Purpose
Los Angeles City PIC 215 West 6th St. Los Angeles, CA Mr. Clarence Broussard (213) 485-4685	March 1981 to Oct 1981	$321,164 (26 Wks)	Classroom vocational training - word processing (course includes remedial English and basic typing. No. of Participants: 50 Outcome: Program currently in progress
CETA TITLE VII FUNDING			
Los Angeles City Community Develop. Department 215 West 6th St. Los Angeles, CA Mr. Clarence Broussanrd	Oct 1980 to Sept 1981	$110,000 (26 Wks)	Classroom vocational training - word processing (course includes remedial English and basic typing. No. of Participants: 20 Outcome: Program currently in progress
CETA TITLE IIB FUNDING			
Los Angeles City PIC 215 West 6th St. Los Angeles, CA Mr. Clarence Broussard (2130 485-4685	May 1980 to Sept. 1981	$270,000 (26 Wks)	Classroom vocational training - word processing (course includes remedial English and basic typing. No. of Participants: 50 Outcome: Intake: 100% Retention: 95% Placement: 84%
CETA TITLE VII FUNDING			
Los Angeles City Personnel Dept. 111 East 1st St. Los Angeles, CA Mr. Vincent Patlan (2130 485-2447	July 1979 to Nov. 1979	$140,000 (16 Wks)	Classroom vocational training - word processing - (course includes remedial English and basic Typing No. of Participants: 62 Outcome Intake: 100% Retention: 80% Placement: 71%
CETA PSE - TITLE VII & IID FUNDING			
Los Angeles City Personnel Dept. 111 East 1st St. Los Angeles, CA Mr. Vincent Patlan (2130 485-2447	July 1979 to Nov. 1979	$140,000 (16 Wks)	Classroom vocational training - word processing - (course includes remedial English and basic Typing No. of Participants: 62 Outcome Intake: 100% Retention: 80% Placement: 71%
CETA PSE - TITLE VII & IID FUNDING			
Outreach Facility for: West Los Angeles Community College 4800 Freshman Dr. Culver City, CA Ms. Adeline Price (213) 628-7788	Sept 1978 to Present	In-Kind Service (1 night per wk)	Classroom vocational training - word processing (course includes word processing equipment training and theory) Number of Participants: 22 Outcome: This is an approved course listed in WLA's catalog. It is the last equipment course taken by students before certification by the L.A. Community College District in the field of word processing. Students attend from all areas of L.A. County.
IN-KIND SERVICE PROVIDETO THE COMMUNITY COLLEGE DISTRICT BY TRANSWESTER			
Tuition Supported Programs			
Transwestern 1725 W. 6th Street Los Angeles, CA Ms.Shirley Adams (213) 483-1880	Jan 1978 to	Varied	Classroom vocational training - word processing (courses are varied, a catalog has been attached
TUITION SUPPORTED TRAINING			

A-14a

84-523 O - 82 - 9

I. IN-KIND CONTRIBUTIONS

Indicate the in-kind services and their corresponding value that will be provided.

Usage charges - Transwestern's president's and vice president's executive offices, including furnishings and automated equipment used to the support project.

J. SELF-E''ALUATION

Describe how your organization will evaluate the relative success of the project in meeting its intended purpose and objectives.

Our evaluation of success will be measured in terms of cold statistics. The growth of economic development of participating companies and the reduction in the ranks of the economicly disadvantaged of our Black communitites within the State will be measured. The major consideration of success will be demonstrated by the project's continuance on a unsubsidized basis after one year of funding.

6. Proposal Budget

Complete all applicable budget items below. See Line Item Instructions on Page 13.

A. Staffing Costs

STAFF SALARIES

POSITION TITLE	% OF TIME	RATE	TIME	AMOUNT
S E E A T T A C H E D				
TOTAL STAFF SALARIES				$478,250

STAFF FRINGE BENEFITS

WORKERS; COMPENSATION: 43 % x $ 4,782	$ 2,056
F.I.C.A.: 6.65 % x $ _____	31,803
OTHER (SHOW CALCULATIONS):	
Group Medical ($75.00) x 27	2,025
TOTAL STAFF FRINGE BENEFITS	$ 35,884

TOTAL STAFFING COSTS	$514,134

STAFF SALARIES

POSITION TITLE	% OF TIME	YEARLY RATE	HOURS PER WEEK	PROGRAM AMOUNT
President	50%	40K	20	$20,000
Vice President	25%	33K	10	$ 8,250
Executive Director	100%	28K	40	$28,000
Administrative Aide	100%	16K	40	$16,000
Executive Secretary	100%	18k	40	$18,000
Bookkeeper	100%	14K	40	$14,000
Proposal Writer	100%	25K	40	$25,000
Secretaries	100%	12K	40	$24,000
Receptionist	100%	10K	40	$10,000
Marketing Manager	100%	22K	40	$22,000
Sales Persons	100%	18K	40	$36,000
PR Manager	100%	22K	40	$23,000
Personnel Manager	100%	20K	40	$20,000
Employment Coordinators	100%	12.5K	40	$25,000
DP Manager	100%	27K	40	$27,000
DP Operators	100%	20K	40	$20,000
R&D Manager	100%	22K	40	$22,000
R&D Investigators	100%	12K	40	$36,000
Publisher	25%	25K	10	$ 6,250
Reporter	100%	12K	40	$12,000
Photographer	25%	18K	10	$ 4,500
Circulations Expert	25%	16K	10	$ 4,000
Bureau Chief	100%	24K	40	$22,000
Speakers	100%	20K	40	$20,000
Total				$478,250

B. PARTICIPANT COSTS NOT APPLICABLE

_____Classroom Training _____Services to Participants

PARTICIPANT ALLOWANCES

TRAINING OCCUPATION	NUMBER OF PARTICIPANTS	RATE	TIME	AMOUNT
BASIC				
DEPENDENTS				
INCENTIVE				
TOTAL PARTICIPANT ALLOWANCES				$

PARTICIPANT WAGES

_____Work Experience

TRAINING OCCUPATION	NUMBER OF PARTICIPANTS	RATE	TIME	AMOUNT
TOTAL PARTICIPANT WAGES				$

PARTICIPANT FRINGE BENEFITS

_____Work Experience _____Classroom Training
_____Services

WORKERS' COMPENSATION: ___% x $_____ (ALL Participants)	_____
F.I.C.A.: ___% x $_____ (Participants Receiving Wages)	_____
OTHER (SHOW CALCULATIONS): _____	_____
TOTAL PARTICIPANT FRINGE BENEFITS	$

C. MISCELLANEOUS PROJECT COSTS

TRAVEL	
18,000 Miles per Month x 18 ¢ per mile x 12 Months:	$38,880
Other Travel Costs (ATTACH JUSTIFICATION): Air Travel (within California)	2,400
COMMUNICATIONS	
Telephone:	12,000
Postage: Sending an average of 20,000 pieces of mail monthly	43,200
EQUIPMENT	
Purchase: See Attached	19,035
Lease/Rental: See Attached	80,000
Use Charges: Inkind	ø
SUPPLIES	
$ 750.00 x 12 Months:	9,000
RENT	
$ 4,000 x 12 Months:	48,000
UTILITIES	
$ N/A x ____ Months:	ø
CUSTODIAL	
$ N/A x ____ Months:	ø
INSURANCE AND BONDING COSTS	2,250
OTHER COSTS (SEE INSTRUCTIONS)	18,000
TOTAL MISCELLANEOUS PROJECT COSTS	$272,765
(Add A, B, C) GRAND TOTAL PROJECT COSTS	$786,899

C. Miscellaneous Project Cost

Quantity	Item	Amount	Total
Purchase Items			
5	Typewriters	$1,200.00	$6,000.00
4	Calculators	$ 150.00	$ 600.00
4	Executive Desks	$ 300.00	$1,200.00
3	Cardenza	$ 175.00	$ 525.00
3	Chairs	$ 155.00	$ 465.00
5	Secretary Desks With Returns	$ 275.00	$ 1375.00
5	Chairs	$ 60.00	$ 360.00
10	Visitor Seats	$ 40.00	$ 400.00
10	File Cabinets	$ 125.00	$1,250.00
3	Misc. Tables	$ 150.00	$ 450.00
1	Movie Screen	$ 250.00	$ 250.00
1	Set Video Equipment	$1,500.00	$1,500.00
12	Desks	$ 210.00	$2,520.00
12	Chairs	$ 95.00	$1,140.00
	Misc. Office Components		$1,000.00
	Purchase Total		$19,035.00
1	Computer Lease/Purchase (Hardware & Software Included)		$80,000.00
Rent			
	Space Requirements - 4,000 sq. feet @ $1.00		
Other Costs			
	Magazine & Newsletter purchasing costs	$1,500 per no.	$1,800.00

A-18a

Mr. HAWKINS. Finally, the last witness, Mr. Robert Clark, Northrop Corp., representing the Los Angeles County Private Industry Council.

Mr. Clark, knowing of your great experience in this field, I certainly look forward to your contribution to this panel.

STATEMENT OF ROBERT CLARK, NORTHROP CORP., LOS ANGELES COUNTY PRIVATE INDUSTRY COUNCIL

Mr. CLARK. Thank you, Mr. Chairman. Last shall not be least.

I do represent today Admiral Horn, the chairman of the Los Angeles County Private Industry Council. I am Robert Clark of the Northrop Corp. I represent our president as the metro director of the National Alliance of Business, and I serve for him on both the Los Angeles City and County Private Industry Councils. On both those councils, I am chairman of the Employment Generating Committee.

I must say it has been a very instructive 2 years, Congressmen; and in the meeting I had with you that day with Larry Cooper, I have come to appreciate your dedication to this very serious problem of employment and training for the disadvantaged people in our country.

I would also say to Congressman Washington and Congressman Peyser, having been born in Evanston and partly raised in Larchmont, welcome to God's country.

Mr. WASHINGTON. Return to God's country.

Mr. CLARK. The Private Industry Councils, as well as the Voluntary Business Organization and the National Alliance of Business, deal with disadvantaged people. The PICS, the Private Industry Councils, are the conduit under title VII of CETA through which Federal funds are flowing for employment and training programs for disadvantaged people. I would have to say that title VII is certainly still in its infancy, although it has been in force for a couple of years, at least judging by the amount of money we have to do our job. We looked at CETA as we came into this picture, being rather strange to it. I believe that our impression is that CETA did a lot of good and still does a lot of good.

The people involved in CETA have tried to focus on training for where the jobs are, and the people involved, certainly the community-based organizations in this community, have a perception of the needs and a perception of the people that have the needs. We feel that the CBO's in this country are a very vital resource in this whole scheme of things. Within the PIC itself, we are a group of business people, community-based organization representatives, labor representatives, educators, and one or two client representatives. We are trying to figure out what business can bring to this particular process that isn't already there. About all we found that we can do is to bend the system wherever we can to the reality of the work. In other words, where the jobs are, let's find the training, let's do the training. It hasn't been all that easy, because in spite of very formidable statistics from the State Employment Development Department, when it comes to your own community and a training program that is going to run 3 months, 6 months, something of that sort, you are not sure what you are doing. We have leaned very heavily here on the community-based organiza-

tions and our success in training disadvantaged people for entry level jobs is really proportional to the quality of the CBO.

One of the things we would like to do here, when you consider that there have been approximately 310 different organizations in this community that have received training contracts, is to see a quality control study develop that highlights as good a job as Urban League and TELACU. When you work with the CBO's and let them handle the client intake and let them handle the absolutely vital aspect of attitudinal training, as Mr. Feltenberg mentioned, we find that placement of people is good. When you work with an organization that isn't paying attention to what it is doing, that does not know how to set up a curricula, that does not know how to hire an instructor, that really is not paying attention to the job market, then you have terrible failures. I must say it is a great shock to us to find even now that we have some programs with a 50-percent dropout rate in the first 3 months. We have to stop this. It is these sorts of experiences that are not the fault of any one individual. I wouldn't even say they are the fault of the system. It is an inattention, perhaps, to a very complex system. What we want to do in our Private Industry Council here is to look at the reality of where the jobs are, look at the realities of what we get for our money, pay attention to the people we are dealing with and their real needs, and make this money do its job. We hope that the words we hear from Washington, that the involvement of the business community is deemed to be a good thing, and that more money will flow through these particular channels, that that will, in fact, happen, because we think we are getting our feet on the ground now.

As a footnote before I mention our proposed long-range planning goals, I would like to mention, Congressman, that the EDD figures on page 17 of their report that you discussed earlier are familiar to me. I was under the impression that either President Kolberg of NAB or someone from the Department of Labor had presented to Congress about a month ago the story of what happened to the 330,000 PSE people laid off. My recollection is that the number was 64 percent instead of 75 having gone into something else about a month ago, but I very clearly remember that of that only 25 percent had moved into private industry. The others were in retraining or in other unsubsidized Government employment or had gone to school or something of that sort. Of the 330,000, with 65 percent accounted for and only 25 percent of those having gone into private industry, from our point of view CETA, title VI, was an absolute failure. They lost sight of the fact that those people that were placed in jobs should have had additional training so that when they came out they could do something. That is my recollection of those numbers.

Within the county PIC, I have been asked to read to you the proposed long-range planning goals for the public-private partnership in employment and training of disadvantaged people. I will give this to the reporter so he will have it. I will read it exactly.

Item A: Efforts should be geared to 5-year planning and training should be for private sector jobs that will exist and be in demand within that time frame. This time period, that is 5 years, is selected

because most private sector employers utilize that period for their planning.

Item B: Responsibility for employment and training programs should be placed with the private sector, particularly programs which are income generating, self-supporting, or performed by the private sector.

Item C: Create a better system of job projections to avoid over- or undertraining situations.

Item D: Encourage collective bargaining agreements to include employment and training programs.

Item E: Introduce and strengthen private sector input to schools to (a) determine where the greatest frequency of dropouts occur; (b) assess the needs of the students as they meet their employment goals; (c) develop and match curriculum to aid students in meeting those goals.

Item F: Link employment and training to local development activities.

Item G: Place people in meaningful jobs of upward mobility rather than on unemployment and welfare rolls.

Item H: Develop better understanding of the hardcore unemployed and reaffirm service to the truly needy as the responsibility of the PIC.

Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, Mr. Clark.

Let me begin with you, Mr. Clark, if I may, because I agree basically with the specific criteria that you enumerated at the concluding part of your presentation. I suppose the most difficult thing for us to understand, for this committee to grasp is agreeing basically what you indicate: How do we go about implementing it?

For example, I don't think there is any reluctance on the part of the members of this committee, or certainly it has not been true in the past, of placing responsibility for training programs in the private sector, but how do we do that? How do we go about doing it?

At least there is great lip service for doing this, but in what way do we encourage the private sector to undertake this? In going across the broad spectrum of views expressed by the witnesses, including the various classes of individuals who find themselves unemployed in the economy, whether they are disadvantaged, whether they are individuals who are laid off and who need retraining, or whether they are individuals who are reasonably skilled but who still find it difficult to go from one occupation to another—just where do we begin with the private sector to give them the responsibility for training programs and to provide the incentives for doing it? We have tried different schemes. I don't think anyone is necessarily making a strong case for CETA. We understand its weaknesses. It certainly is not going to solve all of the problems, but it has dealt with a limited aspect of the problem. We recognize that it has to go beyond that particular point. No one is trying, I think, to impose on the private sector that they have to be responsible for taking the very hard to train individuals and make that your responsibility. That is one of the reasons, I suppose, CETA developed in the first place, because we were dealing

with a group of individuals that no one else seemed to want to deal with—people with a great number of problems, and so forth.

Perhaps we did not go too far beyond that in trying to deal with the other parts of the total problem. Perhaps we need a more comprehensive agency to do the job, not only of the hard to employ but those who are laid off, those who need just simple retraining and so forth, or even get to the group that was first referred to by Mr. Vokal, those who are in an extremely difficult industry where they need a lot of intensive training and for which these individuals on CETA, in entry level jobs, we would not want to impose on that particular industry to undertake the costs.

In other words, what I am saying is that we have been groping for several years to get to the bottom line as to what it is that we can do to provide the answer to this very difficult problem and we have sought it in title VII. We have tried to expand it. We have made it—issued a challenge to the private sector. What is it that we can do in terms of title VII or any other suggestion in order to provide that which will do the job that you say should be done by the private sector?

For some reason, we have never reached the point where we could get that type of dialog which I think is certainly much clearer today, listening to those of you who represent the private sector. There is a willingness to do the job but apparently nobody steps forward to give us the specifics as to what it is that we can do.

Mr. CLARK. Well, Congressman, I think you deserve more credit than you are taking. Neither Lockheed nor Northrop build an airplane that works right the first time. I think that perhaps you were closer to CETA as a father of it—sorry. [Laughter.]

Mr. VOKAL. He told me Lockheed always did it right.

Mr. CLARK. Perhaps in your dedication to your task you become closer to the problem and we have the advantage of coming into it somewhat later and seeing the progress that you have made. It seems to me that within the CETA legislation, certainly within what I perceive to be the intent of what you are trying to do, you are a long way toward a great success. Title VI or any other title of CETA or any other element of a program can well be regarded as an experiment that didn't work for one reason or another. So you abandon it. I happen to be in sympathy with the administration for having cut off title VI. Demonstrably, statistically it was not doing what it should do, at least in our community when we tried to find jobs for these people.

All right. That did not work. Let us find something now that will work; but you have a good base to work with. There are a lot of kids and a lot of disadvantaged people who have jobs because of the other titles of CETA and the years of experience that you have in this. A couple of years ago while getting into this, I was inclined, as people in the defense industry do, to peck away at the Government a little bit and say you are too program oriented and not results oriented. Well, that was a little unfair at the time. Perhaps even more so now, because you have a lot of results in CETA. Maybe what you need to do is to turn around some of the people in the Department of Labor so they will see what those results are, revise the programs to enhance them.

I do not think that we have problems with legislation as much as we do with regulations, frankly.

Mr. HAWKINS. Let me say that we have not made a criticism as such of the administration abandoning some of the programs, the ones they claim did not work. However, I think we were justified in criticizing the elimination of programs without alternatives being submitted. It is very difficult to go out and say to 300,000 people who are on a program that, let us say, is faulty and say to them that the program isn't doing what it is supposed to do, therefore we eliminate it and then you offer nothing in its place. As bad as it was, the placement record was much better than what has happened since it was eliminated. We estimated in the study that you referred to that the placement rate since elimination of the titles—of title II-D and title VI—has been only about 18 percent. Despite claims made otherwise, it gets down to a very low percentage. We have had testimony today from the State agency responsible for compiling the information that the largest percentage of individuals who were eliminated from these programs had gone on unemployment insurance. I think all of us will concede, as taxpayers, as private sector people, and in other capacities, that certainly unemployment insurance is not a productive occupation of any kind. We are paying people for doing nothing, which is not quite as good as the old CETA record that we criticize as being flawed.

My point is that it would seem to me that before abolishing programs that are doing a little good for the money that we put into them, that we would try to work out alternatives for these individuals who now are looking for welfare and unemployment insurance which I don't think we can possibly defend those programs.

Mr. CLARK. I think you certainly have a valid criticism and concern there. Not being that familiar with the regulations or the legislation, it would certainly have seemed that finances permitting, there should have been a consequent retraining program, let us say, for those people that were not yet ready for jobs elsewhere. Perhaps in terms of what the gentleman was saying about the laid off auto workers in his community, if there is still a gap in the regulations, the CETA regulations, permitting funds to be used for retraining under these circumstances, that is one element that ought to be changed.

Mr. HAWKINS. I think Mr. Vokal indicated something closer to the old MDTA as being much more desirable than the CETA concept. Well, if we had been, let us say, assured by the administration that we should go back to some of those concepts and put them into a program prior to the time that we eliminated one, then I think that we could have worked from that foundation and perhaps with passing time, another year, we could have had another type of program in place that could have picked up these individuals that were being eliminated altogether.

Now I take it somewhat personally, perhaps representing a district where many of these individuals, I think, are just going to contribute to crime statistics, unfortunately. They represent family heads who are left without any particular thing to do except to think in terms of "I am not going to let my family starve, so I am going to go out and take it." That, I don't think even on a tempo-

rary basis, contributes anything constructive at all. I get back to the point that I am making: I do not see us in the process now at least of having the dialog to put together a program to replace the other; and I think that everyone agrees that some type of a training program is needed. I think you have given us some wonderful criteria on which to build on. I would hope that somehow out of these hearings, that we can begin to work with some of you on trying to get that type of a program put together and to convince the administration to look seriously in that direction.

Mr. VOKAL. Congressman Hawkins, I agree with the gentleman at the end of the table here from Northrop that CETA has not all been bad. The thing is that we have noticed on the national level, with the National Tooling & Machining Association, a deterioration in the program. Going back to 1964, when we became involved with the CETA programing, we had 85-percent retention. Then all of a sudden the social aspects and those who needed economic help, things changed; and the rope became tighter and tighter. All of a sudden, the retention becomes 62 percent of the last group of classes that we had last year. I do not think there is a panacea to solve all of this, but I think it is a matter which involves education. We have to start there. We have to properly educate the next group of young peole. We have to solve the problems that we have. We have to get the American people, the kids, get everybody saying, "Hey, let's not sit back, let's do something."

It's a great problem. We are going to have to come up with a master program. I think by tax incentives, that is going to help some of this. That program ought to be for those people who need it and not a general statement so we can find loopholes. I know that statement is a terrific statement if it can be done, but we need to come up with something that says, OK, there is an industry, there is a need. All right?

So we say there are 250,000 to 300,000 people that are needed in the skilled marketplace for this one little industry that happens to be the backbone of our industrial might. There is 300,000. How do we get to those? You have to take each segment as it comes. I cannot give you an answer. I do not think anybody in this room can give you an answer. I hope to God from all of these hearings—and I give you credit—that you put it down and maybe there will be a pattern. I think maybe that is the best you can come up with.

Mr. HAWKINS. Mr. Washington?

Mr. WASHINGTON. Thank you, Mr. Chairman.

I don't think you will find a good deal of disagreement that perhaps private industry should have a greater degree of control over the training of future employees; but my feeling from you gentlemen is that what you are asking for is sort of a carte blanche to do the whole job, funded by Federal or governmental dollars. I hear no mention of standards. I am concerned about the cavalierish rejection or objection to testing devices.

The word "quota" was thrown in as something very bad. I don't quite get the context, Mr. Kiddoo, in which you used it. You want no regulations. I am concerned about that. I am concerned about affirmative action, for example. Your whole temper and tone seems to move toward the structuring of an elitist concept with government money weaning out certain unnamed standards, certain

people which in your wisdom you feel you can train for this. This bothers me.

Mr. VOKAL. Funny, I didn't hear all of that.

Mr. WASHINGTON. Maybe it was overtones.

Mr. VOKAL. I made the comment myself in my presentation. I would love to sit down and discuss this in detail with you, Congressman. But we do not want a panacea. For example, this legislation that was presented by Mr. Bailey suggests a 50 percent tax credit for year one, a 30 percent tax credit for year two. That is not asking for the whole thing. It is saying take some of these funds and reallocate it. All we have is money to work with. All we have are people to work with. All we are saying is we feel that in this little segment, maybe this would be a good way to go. Maybe it should only be partial. I said distinctly that we should clearly define those people that need and don't make it so loose as it has been before. That is an easy statement for me to say, but that is where the problem comes. Everybody finds a loophole. I remember an incident at the Small Business Administration a number of years ago—I won't mention the gentleman's name—he was with a local group here and became high up in the administration, the Small Business Administration. One day I walked in and sat down with him. He's with a big law firm in Washington at the moment.

I said, "What's the matter?"

He said, "Well, I had $7 million worth of bad small business go down the tubes."

I said, "Well, that is not a lot of money."

He said, "Out of $35 million?" He said, "I feel pretty bad." He said, "You know what the problem is? We did not reach a level of communication before we started." He said, "They found some loopholes, they didn't distinctly know what it was. Here we are." He said, "I have $7 million. Another $10 million of that with small business, minorities," he said, "is going to go down the tubes, too." He said, "We have not done our job."

I think you could point a finger at anybody and say this. You know, this is what happens.

Mr. KIDDOO. May I make a comment here? What I said about CETA, I don't want to do away with it. I said it is seriously flawed. I agree with Bob Clark here, it's a good foundation program. I think we did better under the old MDTA. I think private industry played a larger role. We are very cognizant of equal employment opportunity. We support it. We are going to continue to support it. But I think you have to make up your mind on these programs. That is what I tried to point out. On education programs, jobs, what is your goal? Don't mix up your goals. Business doesn't try to mix up goals. When we have a goal, it's pretty distinct and we work toward that goal. We don't say this is our goal and add a whole bunch of junk onto the thing that just will not fly. It won't fly. We have to tweak it a little bit.

I think maybe that is what you need to do with the system. I agree with Bob here. Maybe you need to tweak your airplane to make it work better. Maybe you need to get a lot of the bureaucracy out of it. I do think there is a morass of it. You have to have some level that will set standards. I think with the Private Industry Council, it has been very successful here in the city and county

of Los Angeles. Maybe carry that concept a little bit forward and maybe you could develop it into regional councils which, in turn, could develop proposals for their specific area for certain kinds of training. Spell out where the people are available. Where would we get the people. Set up the standards.

As I said in my own presentation here, get some nonpolitical agency—and by that not the Department of Labor, but somebody like GAO or the IRS—somebody that will be strict to see how effectively and efficiently you are running the program.

We are not asking for a handout or anything else, but we are trying to assure that the tax dollars that you and I and everybody else provides are best spent and are spent for a known goal.

Mr. WASHINGTON. I am not fighting that. Perhaps there should be movement in your direction. I am concerned about the people who understand the standards, which I have garnered from reading your submissions, will be left out. Perhaps Mr. Feltenberg would want to comment on that.

Mr. FELTENBERG. It is very important, of course, for the small businesses to be included in any planning that concerns training because of our need to have skilled labor. If we are not able to make access to skilled labor pools, it is certainly going to be devastating for us. I think, though, that there are certain notable successes in the CETA program that can be pointed out. I heard the gentleman on the end talk about reducing that retention level. I know a program—in fact, our own program has the 67 percent. That is just this past year. Eighty-five percent placement level. I think it is important to look at the CBO's and the businesses in the business of training for skills for tomorrow's technologies and not just let it be completely in the hands of large industry.

Mr. CLARK. Congressman Washington, lest I left you a little too solidly with the impression that the business community wants to run things with no regulation, I referred in the beginning that the PIC is a public-private partnership and our composition is other than the business community. As you well know, under the legislation and regulations, whatever we do is subject to concurrence and/or approval by the prime sponsor. As a matter of fact, legally the prime sponsor is responsible for the title VII funds.

Let me tell you what we find in Los Angeles City. It takes about—if we are lucky—2 months to get a training contract through the system. It is a simple contract, but it is a city mechanism. This is not the only thing that the chief administrative officer has to look at. It is not the only thing that the contracts department has to look at. It is not the only thing the Grants Committee has to look at in public hearings. It is not the only thing the 15 city councilmen have to vote on. Yet all those elements get involved in every single training contract. It's a real pain in the neck.

What we hope to accomplish is to go to the city and Department of Labor with our annual plan for joint approval, which we do anyway, and put in that plan the money we are going to spend and the general nature of the training programs that we are going to move into. These programs, as I mentioned earlier, in our community are carried on by community-based organizations such as that of the gentleman next to me.

I tell you, we are going to have a real fight before the city will let us put in that plan the approval to spend the money without coming back to them for each individual contractor. I say this under the conditions where city staff are PIC staff and we are not removed from the system. We simply have to get out of the wheels. These things really hold us up. That is why last year the city gave back 670 percent of the funds. We are trying to do better this year, but we are not going to spend 40 percent of the funds. We just cannot beat the mechanism. So when I say business would like to have more responsibility, I say it in that context.

When I said business, I should have said PIC, because it includes other elements of the community. But that mechanism is difficult to work with.

Mr. HAWKINS. If Mr. Washington would yield, I think, Mr. Clark, you have indicated a serious problem that we have been concerned with for a long time—the difficulties of dealing with the local prime sponsor and how to circumvent this. It is pretty obvious that if you go through the exercise that you go through that you would soon become discouraged. I am surprised that you even continue.

However, as you well know, under the old MDTA concept, you dealt directly with Washington. I guess it was during the Nixon administration that the program was decentralized and now under the new concept, local primes are the ones who determine the shape of the program. I am wondering how it is in the concept of returning control to local governments. How can we circumvent some of the problems that you speak about having to go through a city council, the city of Los Angeles for example, Where you have to try to satisfy a majority of 15 councilmen. You indicate that you even go down to the level of having to get approval on individual programs. I don't see how you could possibly operate under those conditions.

Mr. CLARK. The city staff that serves us has been operating under those conditions for other titles for all their lives, so merely bringing in the complication of title VII didn't really bother them. They are the ones serving it. It has obviously bothered us. We recognize the need for involvement with the political elements of the community. That is a reality. We would like to streamline this system without relieving them of any overview or responsibility or their political leanings, if you will.

The mechanism can be changed by changing the regulations to permit the annual plan, for example, to have attached to it an ultimate authority to the Private Industry Council to spend the moneys that have been approved in the plan.

Mr. HAWKINS. Well, this committee will certainly give a review to those regulations along the lines of trying to meet the problem that you speak of. This isn't the first time I have heard this criticism, but it is a very valid one. I am surprised that you don't operate with your own staff as an incorporated group rather than leaning on even the city staff.

Mr. CLARK. This has been a function of time. The staff has been in place 3 weeks. It took a long time for that incorporation to go through the city. The county has a little different relationship, functions a little differently, but the time element is still there to get a contract through.

Mr. HAWKINS. Mr. Weiss?

Mr. WEISS. Mr. Chairman, just on that last point, Mr. Clark, that is really local option, though, is it not? It's not the Federal Government or its regulations which imposed those requirements or restrictions on you?

Mr. CLARK. It depends upon how you look at it. The prime sponsor can do what he wants. If he wants to review a contract, he can review a contract. We do not have the option of saying no, you are not going to review that contract. If the system were so established that the annual plan not only said what we are going to do but had a few more specifics in it about how we were going to spend the funds, and at the end authorizes us to spend the funds, then we can run these contracts through without having to go through the whole political system.

Mr. WEISS. I must tell you that New York, which does not always have the simplest method of operation, either, has managed to avoid this trap.

Mr. CLARK. Because the prime sponsor gave it to them. It didn't give it to us.

Mr. WEISS. That is right. But that is precisely my point. This is not a matter where the Federal Government or the legislation itself or the Department of Labor has imposed any of these restrictions or onerous regulations on you. You have a problem that exists locally. It is very difficult, it seems to me, for Congress to turn around and say to the local sponsors, "You shall not." It seems to me that if, in fact, the work that you are doing is worthwhile—and obviously the prime sponsor thinks that it is or wouldn't have you involved in it—then you ought to be able to work out an arrangement with them which doesn't, because of their own restrictions, make it impossible for you to do your job.

Mr. CLARK. It is still a matter of whether you have an adversarial relationship with your local government. It is entirely possible to have it. If the regulations permit that sort of thing to carry on to the point where you cannot get anything done, there is nothing the business community can do about it.

All I am suggesting is that if the regulations make it clear that the involvement of the political community is not watered, but certainly in the matter of detailed review its authorities are limited, then the business community can function.

Mr. WEISS. Again I say I am not that familiar with California or Los Angeles. I find it very hard to understand any locality which has a very serious unemployment problem where you finally manage, through Federal legislation, with goodwill involved in the business community, to get a partnership operation going, then to turn around, to cut off the very possibility of that operation succeeding because of this adversarial relationship. If you have the adversarial relationship, then why bother to begin with?

Mr. CLARK. The adversarial relationship could happen in any community. It happened in this community I would say for a variety of reasons and perhaps tied to the nature of the process here and the numbers of people involved. It is difficult to run a city with 15 councilmen if some of the things you want to do don't exactly fit with the pattern that they have had before. Again the point I am trying to make is that even if you do not have an

adversarial relationship, if you leave it up to one party to work efficiently at the sufferance of the others, you do not have a very good partnership. It is that particular point I am trying to make. The only way we will improve the efficiency of our operation here is at the sufferance of the prime sponsor. The prime sponsor has departments whose job it is to review contracts, go over clauses, and they are not going to give it up.

Mr. WEISS. I am not sure about that. The other side of it, following logically to what you are suggesting may be the answer. If the Federal Government is not going to impose its will on this kind of local government-business initiative, and if the prime sponsor, which is the local government, is not going to have any kind of oversight regulation, then indeed what happens, and in one instance perhaps it may be fine but someplace else it may not be. There is a private sector operation and they have a blank check. Someplace along the line, unless you want to have a repeat of horror stories with the private sector being on the receiving end of waste, fraud, and abuse, you have to have some kind of responsibility in some level of government there is taxpayers' money that involved.

What we thought we did was, in fact, allow for the partnership to exist at the local level, but you are quite right. If one party to that partnership says no, I am going to make your life impossible, that is not a partnership.

Mr. CLARK. Well, perhaps you still don't get my point. I am not saying that a contract is going to be negotiated by private industry or that taxpayers' money is going to be spent without proper review. I am saying the Private Industry Council, if they can get together with the prime sponsor and the labor representatives at the beginning of the year and approve a program that has funds tied to it, when you start to get into a contractual relationship then with the training organization, it is still the prime sponsor's contract operation that is going to be sitting in there doing the negotiating, because they have the skill, but you are not going to have the words picked over at the political level in a process that takes months.

Mr. WEISS. That is right, that doesn't have to be. I follow and I agree with you wholeheartedly.

Mr. CLARK. That we would like to see. You see, it could also put an end to what happens in our city. And I don't want to wash our dirty linen any more than necessary. But if you look at the minutes of what happens when the CETA programs come before our city council for approval, you will find those programs that have been negotiated and established and are ready for signing and final approval are subject to last minute funding changes based on the personal desires of the individual councilmen. They are changed right then and there at the council table. I think Congressman Hawkins is right. It is a little tough to swallow some of this.

Mr. WEISS. As a former member of the City Council of New York, I should tell you I don't think council members ought to have their hands in that situation. They don't belong there. Indeed, they, it seems to me, ought to be put into the position of having to make the choice: do you, in fact, want an effective partnership situation with Federal moneys underwriting this program or don't you?

Again it seems to me that you have a great deal of leverage in the situation. You are, in essence, the only game left in town.

Mr. CLARK. We are the only game left in town, but it is a little aggravating after awhile to be the guy that always invites the odd fellow to lunch.

Mr. WEISS. I appreciate that.

Let me, if I may—Mr. Chairman, with your indulgence—touch on another area.

Mr. Kiddoo, you mentioned in your testimony that close to $800 million is spent annually in California on vocational training. What does that statistic mean? What programs are included in that $800 million?

Mr. KIDDOO. Actually it is a figure Governor Brown quoted. We had a Governor's task force, which was primarily in the field of electronics. I took that from his statement. He used that in a meeting that we are spending $800 million. That incidentally was about 1½ or 2 years ago.

Mr. WEISS. The reason I ask—I understand he is going to be here tomorrow—I am concerned, as I indicated in earlier questioning, about the lack of evaluation of the vocational education programs, the lack of coordination between the various departments of Government. I mean simply because we spend $800 million, I agree with you that doesn't mean that we are necessarily getting a nickel's worth of benefit out of it.

Mr. KIDDOO. That is right.

Mr. WEISS. I would like to think that perhaps the business community, which you represent so effectively, would want to get into that situation to see whether, in fact, that program makes any sense or whether—if it does, it is receiving proper evaluation and monitoring.

Mr. KIDDOO. Congressman, I think as you witness the last 2 or 3 years, the business community is becoming increasingly active in the field of public education and the whole way the job market works and so on. As I mentioned, one of our most powerful groups in the State is the California Roundtable which consists of the CEO's of our major concerns here, like Lockheed, Northrop, and so on. They have established a task force. They are digging into it. They are having studies conducted, and so on. The American Electronics Association, of which I head their IR committee, hired a full-time staff member. We have established a blue ribbon committee to look into not only technician training but engineering training. I think the interest has been shown in the private industry councils here in which we participate along with Bob and others, and Berg Fragner, for example, from TRW. We are exceedingly interested in becoming increasingly involved. You are quite right. We have a big stake in this. We have a big stake on whether or not we are going to get the people to do the work that we have. So it's a very selfish interest.

Mr. WEISS. Let me finally lead in from that comment to you, Mr. Vokal, because I am not sure if I understand your thrust and that of Mr. Kiddoo. Perhaps I am unfairly, in my own mind, characterizing your approach because I do not understand it. When you say, Mr. Vokal, that you do not want loopholes, you want only those

people who need it to benefit from these programs, you are talking, as I understand it, about the industries; is that right?

Mr. VOKAL. Correct.

Mr. WEISS. My concern is that that may be fine as far as the private sector, as far as industry is concerned, but at our side of the table, the Government level, our concern can't only be whether industry is getting sufficient numbers of workers. We have to be concerned—and I ask the question of you—about the individuals who do not have jobs, regardless of the needs of industry. How about the needs of the heads of families, our young people? What do we do for them? It seems to me your approach leaves them out of the equation totally.

Mr. VOKAL. You have to remember that I am talking about a national tooling and machining association that is made up of skilled craftsmen. I am saying that one segment of the country does have a terrible skilled labor and we should listen and look at their problems, also.

I agree. People need jobs. I do not come here with a panacea to solve this. I came here with a small segment of the problem. I am not saying what I say should be applied to everything. We have to have jobs for these people. I am saying that with the possible ability of taking the pot and shaking that pot up and letting those people have the opportunity to seek their level and then help them accordingly, don't force the ones that really have it to do mediocre things when they can reach a better aptitude or higher altitude in their life. That is what I am trying to get across.

Mr. WEISS. This matter of attitude is not only the attitude of potential employees. It is the attitude of business and industry itself that sometimes is a problem. In the course of this subcommittee's hearings last year, we went to Minneapolis and we visited the plants run by the Colgate Corp. there. Without the benefit of Government assistance at the time, they built a plant deliberately in the area of greatest economic deprivation and have trained from the ground up people who do the simplest and the most complicated work imaginable. Everything from designing and making, manufacturing the equipment itself to the wiring, the most technical kind of electronic wiring involved. If you looked at that community without the benefit of their experience, you would say we are not going to find people in this community who can do this kind of work. I think what you have to do perhaps in industry also is not to be blinded by past stereotypes, because perhaps the very people whom you do not think can cut the mustard, given the proper attitudes and motivation, on both sides, can, in fact, be trained to do the most difficult and complicated work.

Tool and die manufacturing I am sure is very difficult and complicated. It isn't all that complicated. There are hundreds of thousands of people who do it.

Mr. VOKAL. Again training. The thing is you have to remember this industry we are talking about, the average employer, has 18 or 20 people. They are exceedingly small. They are down to the roots of what most of these people came up through. Most of them came up through CETA programs. We have files if you want to see how successful CETA has been in some instances. Those are very posi-

tive. They are there. It is a small grouping of business people that happen to be in a very critical industry.

I hear what you are saying. I hear what you are saying loud and clear. Again, I feel that we have to look at the overall program. I fortunately directed this training center trust as one of the trustees for a number of years. We had a lot of Chicanos, a lot of blacks. We had a cross section that you would not believe. I had an opportunity to interview about 15 of these young people who took the aptitude test, showed that they could work with cars, work with their hands. They say, "Oh, here, maybe this is someone that could be directed." Maybe they only run a machine. I shouldn't say only. Maybe they don't have to be a toolmaker or machinist. Maybe there is something down here they can do. It tore my heart out to talk to the Chicanos and blacks who had been reading in the newspapers that there were skilled needs that this is a wonderful trade where you can earn $35,000, $40,000. They wanted to get into it. I couldn't recommend some of them because they did not have the background or the proper education. At that point I was playing God. I think anyone who interviews at times is playing God.

Mr. WEISS. Couldn't you see the benefit of a program which in fact would bring people in at entry level positions and provide an opportunity for further education and training on the job so that, in fact, 2 years down the line they could qualify for a job you are talking about?

Mr. VOKAL. Sure. But this is a momentous problem. We have to start working at the schools, at the educational levels to get these people to want to learn to get the most out of their lives instead of being oriented toward the food stamps and similar handouts. Lots of people need help. God love them, they need it. There are some there that are taking advantage. You and I know that. It is a hard problem. I cannot answer you or anyone at that head table and say this is what you should do. We have to work at it. We have to chip away at it and take the good and go on.

Mr. WEISS. So long as industry looks at job training only as something that will benefit them, rather than benefiting society as a whole, we are going to be in a lot of trouble.

Mr. VOKAL. OK, but many of these people can raise themselves up. And you come up with tax incentives or incentives to help industry. And later on they become paying citizens and they can start to pay taxes and not be on welfare rolls. That is where we want to be. No one wants a handout. Everybody would love to go to work.

Mr. WEISS. Thank you very much, Mr. Chairman.

Mr. HAWKINS. Again, I would like to thank each and every member of the panel. You have been extremely helpful. I want to assure you of the continuing cooperation of this committee and solicit your continuing contribution to the work of the committee. I think we have had enough dialog to understand each other a little bit better and certainly offer a standing invitation for your input, your views.

We hope that we will continue to enjoy this same friendly cooperation.

Thanks.

Mr. VOKAL. Thank you.

Mr. HAWKINS. The final witness is Miss Birdell Moore, who has been sitting around all day.

STATEMENT OF BIRDELL MOORE

Mrs. MOORE. I am Birdell Moore. I am from the community. You know, I am from the people and I represent the people, volunteering, because I am not able to hold a job. In the first place, it is discrimination, it is what got the country in its place. He is sitting up there talking about Mexicans and blacks and they don't hire them if they are qualified, especially the blacks. It is totally discrimination for jobs for our young people in the black community.

We send them to jobs. They are well trained. They are turned down on everything you can think of other than saying we don't want you because your skin is black.

And I know and I have sent them to jobs and they are U.S. citizens, born in this country, and everything else. They are asking them can they speak another country's language to get a job. Then you can send them out to jobs, they will find every other excuse they can find to turn them down. Then you go there. He was talking about scientists. I got a nephew who was majoring in science and he got the highest honor in the Navy cadet that you can get. He was in the highest office. He has not been able to get a job. He has not been able to get a scholarship to continue his education. Every time, they want his mama to support him. He's 23 years old, and she got both legs off. Her husband is dead, and she got a child, a smaller girl to take care of, and nothing.

Now these are the kind of things that they are doing to our black kids. And we have in Jordan High School a good training program teaching the children, the young people how to work in business and in stores, in different things of this sort, but they want to cut that program off where they are training those kids, and that is the way it is all over.

Talking about the CETA program, the CETA program wasn't so bad; the only thing was, it didn't leave them enough time to really be trained. That is the only thing that the CETA program needed is enough time to be trained. They are trying to reenlist the block grants, which you had nothing to do with. You fought like hell to get the money. But with the block grants, believe it or not, they are trying to cut out every block grant program, administrative program that they have in Los Angeles City.

I went down to the block grant, sat there, listened, and every person that came up there that had a black administrator, they were finding every kind of fault that they could find to try to cut them off, to recommend that they be cut off; and then you send them and then the Watts Foundation, Westminster, and Ted Watkins cannot employ all these people. That is the only place that they can get a job. Only maybe one did one here, and one got one here. And you can look at television and you can see what they are doing to that.

There is no other ethnic group that fought in any wars more than the blacks, almost equal to the whites, and you can see on those pictures in all of those westerns, and everything else, they got everything in there but blacks. Those are jobs.

You can look at everything that the State has, the United States has, the Government has—the local State has, and the city and the county, all the people who are administering the moneys and handling it and saying who are qualified. None of them are black.

Every representative what we have coming into the Watts Foundation is somebody else. We know we have black people that could fit into those jobs and represent us. Everybody can represent us but ourselves. Now those are the things that is sickening. We are tired of it, and talking about war and training, well, I agree only once with the man that said that we have nobody to fight, because all the people that they are giving the jobs to in these factories and things are foreigners. Countries that we have had fights with, we have helped them fight in their civil wars in their own country and they are not going to fight against their own countrymen. We know it. But that is all they are hiring and that is all who are getting the jobs, and our people fought in every war, helped save this country, helped preserve this country; but yet still we get nothing.

We are tired. We are tired of being ripped off. Because I don't say all the young people are robbing and stealing and burglarizing and committing crimes want jobs, but the biggest majority of them do. If they had an opportunity.

Now for me, I think that when he was talking about how he turned them down, I went for a job for a baker. I am a baker. And I had never run a bake shop, but I did all the work, and then I asked the man for a job. He asked me did I have any experience. I told him to tell me where I could get the experience without the opportunity and I would be the first person in line.

And he hired me, and I had to just quit because he would never let me go.

Now that is what this young man was talking about. Did you give them a chance? They need a chance. They need an opportunity. But if they never get it, they won't. As long as they can think up something that they don't have to say your skin is black or your skin is brown, we don't want you, they are going to do it. I think the U.S. Government should demand that these human rights, affirmative action plans, be enforced, because that is the only way that they are ever going to get enforced. Well, when I fell flat on my back at Santa Monica Hospital while I was taking nursing training at that time and I was working there as a nurse, and I fell flat on my back with a heart attack, and after I got up, I had two within 3 weeks, and I was out of commission. I couldn't work no more, because I would begin to have blood clots. I couldn't work.

So I asked about the social security, and different things. Let the big businessmen use the social security for investments. So I wanted to know how much of it did they send back and how much was my social security. They said that the social security was all in one big sum and they couldn't tell one individual how much there was, and then to the question that I asked about the dividends that the big businessmen give back to the Government for the money they loan, and they said none.

Now to let them continually use the taxpayers' money, talk about the welfare, people are not going to starve to death. They are going to rob, they are going to steal, and it will be worse than the

time of Clyde Barrow and Bonnie Parker if these programs are cut off and the people are out of work and the ones that can't get any training and get paid while they are training, if they are not in school.

Now that is my statement.

Thank you.

Mr. HAWKINS. Thank you, Mrs. Moore. As usual, you have been very active and very expressive in presenting your views. I wish to congratulate you on the excellent job you are doing in the community as an activist and a person who is always dedicated to the things for which this committee is fighting.

Mrs. MOORE. And I don't get paid for it either. Thank you.

Mr. HAWKINS. Sometimes I think we don't get paid very well, either. Thank you.

The hearing will continue tomorrow morning at 9 o'clock in this same room.

Mr. GREEN. Could I add a footnote to the panelists?

Mr. HAWKINS. Be very brief, Dr. Green. We kept individuals past commitments.

STATEMENT OF CHARLES GREEN

Mr. GREEN. I wish you would take into consideration when they were talking about the private sector getting the funding and that they were putting people to work, that they have to come to an agreement with the unions that if this is done anywhere like this that the unions will then begin to accept the people and go through apprenticeships to get into jobs. This is where we have that one revolving door, that if you don't belong to the union, you can't do the work. The job will not hire you. You don't belong to the union. That is the one simple problem that has to be considered when you consider all the rest.

Thank you very much.

Mr. HAWKINS. Thank you. That concludes the hearing for the day. Thank you.

[Whereupon, at 1:50 p.m., the subcommittee was recessed.]

[Material submitted for inclusion in the record follows:]

PREPARED TESTIMONY OF MELINDA BIRD, WESTERN CENTER ON LAW AND POVERTY, LOS ANGELES, CALIF.

My name is Melinda Bird. I am an attorney with the Western Center on Law and Poverty and am speaking on behalf of unemployed persons whom I represented. Some of these individuals have been displaced from their jobs by plant closings and by county health service cutbacks; others are welfare recipients who have unsuccessfully sought work and CETA participants affected by the reduction in federal job training programs. For these and many other Americans without jobs, recent changes in federal policy pose difficult contradictions which can and must be resolved.

On one hand, we face massive losses of existing jobs from plant closings and runaway shops, and from lay-offs caused by budget cutbacks and service reductions. In Los Angeles alone, these two causes will result in the loss of over 3,000 jobs in a three month period during the summer and fall of 1981. The Administration's plan to reduce CETA job training programs has eliminated jobs for over 32,000 Public Service employees in the State of California, whose placement rate into unsubsidized employment is as low as 20 percent, according to the California Employment Development Department (EDD) in its testimony to this subcommittee. Nationwide, unemployment for youth and minorities is rising, in spite of a small drop in unemployment for adults and whites. —(L.A. Times, July 3, 1981.)

Simultaneously, wages and working conditions are deteriorating for those with jobs. The U.S. standard of living has fallen to the point where we are now fifth in

average income. Inflation has so far outstripped wage increases that the minimum wage is almost 20 percent below poverty level for a family of four. More and more workers are "underemployed"—forced to work part-time in low wage, high turnover jobs in the fast food industry, or other similar positions in the secondary labor market. (USDOL, Monthly Labor Review. February 1981.) With over 70 percent of all new jobs being created in the service and retail sector, rather than in manufacturing or other high wage, high productivity industries, this trend appears on the rise, with a further drop in income and productivity. —(USDOL, Employment and Earnings, March 1980.)

WHAT THE NEW ECONOMIC POLICIES PROMISE

On the other hand, those without jobs are assured that the Administration's new economic policies and reindustrialization strategy will create more jobs in the private sector through de-regulation, tax-incentives and reduced spending on social welfare programs. The shift is clearly from a situation in which the public sector bears the burden of job development through CETA and similar programs, to reliance on the private sector to meet the employment needs of minorities, women, youth and displaced workers.

This approach is apparently strenghtened by predictions of massive labor shortages in the 1980's, by many businessmen and economists. See, testimony of Donald P. Vokal, National Tooling and Machinists Association, and testimony of Robert T. Bristow, and Robert Hotchkiss, Cal. E.D.D., before this subcommittee. In spite of existing unemployment, this projected labor shortage has inspired Administration proposals to amend the Immigration Act to introduce at least 50,000 temporary or guests workers from other countries such as Mexico. It is clear that this expanded version of the existing "H-2" temporary worker program will not be limited to agriculture, as is the case now, but will almost certainly be extended to other industries.

How can projections and promises be reconciled with the lay-offs, the low wages and tremendous economic disclocation experienced by the unemployed and the working people of this country? It may be that the new policies will not work, and the promises will be false. However, to the extent they succeed, it may be because the government has, in this transition, "put the private sector to work" by insisting on a quid pro quo for the tax concessions and other "corporate welfare" programs on the Administration's agenda. The following four elements should be included in any government policy on employment:

1. National legislation concerning plant closings and runaway shops, including notice requirements transfer provisions, severance pay, and retraining.
2. Obtaining concessions and commitments from business to hire and train displaced, unemployed and unskilled marginal workers, by using favorable tax treatment, industrial revenue bonds, public contracts, etc. as leverage.
3. Strong enforcement of protective labor laws.
4. Availability of low-cost capital and other assistance to small community businesses with a capacity to create new jobs.

PUTTING THE PRIVATE SECTOR TO WORK

1. Plant closing legislation

In the last several years, legislation has been introduced to the U.S. Congress as well as the California legislature to ease the devastating economic effects of an unannounced plant closing or relocation. These bills must be supported and strengthened. If the people are to experience the benefits of the promised economic revitalization, industry must be induced to act responsibly in the use and removal of its capital. Without this regulation, productive resources are abandoned, the manufacturing sector is in danger of migrating to underdeveloped nations with a devastating loss in the productive base of this country and communities are senselessly destroyed through sudden losses of jobs. The Ford-Riegle National Employment Priorities Act of 1979, California Senate Bill 1494 and other similar legislation would not restrict industry in taking positive steps to rebuild the economy and would prevent these negative effects, which retard growth and development.

2. Job leveraging

Historically, the private sector has been reluctant to hire and train those most in need of a job—minorities, women, youth and older workers displaced from previous employment by a closing or layoff—as the lack of success of the CETA programs testifies. The absence of strong private sector training initiatives is the real cause of the so-called skilled labor shortage. The result is job stratification, as in Modesto, California, where plant closings have driven unemployment to as high as 25% for

semi-skilled cannery workers from other locations with consequent housing shortages and other negative side effects. The labor shortage in skilled jobs is the result of locking people into low wage dead-end jobs with no opportunity to gain new and socially needed skills.

In response, government can use its existing power and resources to leverage commitments and concessions from private industry to solve these these hiring and training bottlenecks without federal or state "welfare" programs. In Modesto, the leverage was tax exempt industrial revenue bonds, which will be available to new companies which agree to give a hiring priority to local workers displaced from their jobs. In New York, public works construction contracts are awarded to companies which hire CETA eligible workers and are locally based. In Boston, construction contracts and UDAG funds are targeted to firms which commit to hire city residents, who are largely minoirty and experience much higher unemployment rates than suburban workers.

At a federal level, the tax reform package contains incentives for investment in equipment which will eliminate jobs, rather than create them. Instead, favorable tax treatment must be tied to job creation and positive training programs. The efforts of private job training centers, such as the National Tooling and Machinists Center in Los Angeles, must be encouraged and directed towards the unemployed and idsplaced worker. See, "Leveraging With a Toothpick," Richard Kazis and Peter Sabonis, 1979 (attached).

3. Labor law enforcement

The so-called labor shortage includes not only skilled but also unskilled workers, and is sometimes attributable to the unwillingness of U.S. workers to accept low wages and adverse conditions when they can obtain welfare. Those industries, such as agriculture, which are most vociferous concerning labor shortages, consistently hire undocumented workers who are vulnerable to exploitation and are afraid to complain about illegal wage practices or conditions. Simultaneously, the industry insulates itself from normal competition in the job market and wages fail to rise on a par with other industries. Over a 9 year period, wages paid by U.S. apple growers increased by 33 percent, while prices rose 248 percent. USDA Handbook of Basic Economic Statistics, 1979. Attempts have been largely unsuccessful to improve agricultural wages by tying them more closely to manufacturing wages through the use of the Adverse Effect wage rate, which must be paid by growers attempting to employ "H-2" or temporary foreign workers to harvest their crops, See 20 CFR Section 655.207.

Rather than "import" more foreign workers to work at unacceptable or illegally low wages, the existing laws should be enforced to improve conditions and allow free competitive bargaining in order to attract more workers to these jobs.

4. Assistance to small community businesses

Over 70 percent of all new jobs are created by firms with under 50 employees, and small, community based enterprises must be supported by continuing to make low cost capital available to them. With superior lobbying power, the multinationals and large firms are receiving numerous benefits from the administration, even as the Small Business Administration, the National Consumer Cooperative Bank and the Economic Development Administration are severely cutback in funds. Small entrepreneurs and new community based local development corporations must receive more, not less support to truly revitalize our productive capabilities and create the most jobs. Any economic development proposal, such as the Urban Enterprise Zone bill currently pending in Congress, should include special benefits for small community businesses.

Leveraging with a Toothpick:

The Carter Administration's Private Sector Strategy for Job Creation

An analysis of private sector strategies for employing the structurally unemployed by:

Richard Kazis & Peter Sabonis

Labor Day, 1979

National Center for JOBS & JUSTICE
1605 Connecticut Avenue N.W.
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The prevailing wisdom, in both Congress and the Administration, is that only a "private sector strategy" can create enough employment and training opportunities to improve conditions for the large number of structurally unemployed workers in America—the growing ranks of unemployed and underemployed workers who, if they can find work at all, are qualified only for the most unskilled, dead end, and often temporary employment.

Officials are quick to point out that four out of every five new jobs are created in the private sector and that CETA public service employment cannot begin to provide sufficient job opportunities for the unskilled and hard-to-employ. At present, for example, the CETA program in Detroit funds roughly 3,500 jobs. Yet, there are about 60,000 welfare recipients in Detroit and another 54,000 Detroit residents who are economically disadvantaged but not on welfare. CETA public service employment provides jobs for barely three percent of the city's target population.

Armed with statistics such as these, officials argue that private business involvement must be the cornerstone of any comprehensive jobs and training program—and that recently enacted incentives, such as the Targeted Jobs Tax Credit (TJTC), and the CETA Title VII Private Industry Councils (PICs), will lure businesses both large and small into a profound commitment to hiring the unemployed and to training the unskilled.

Clearly, some significant level of commitment is needed. The Administration now predicts a national unemployment rate of close to 9 percent by the end of 1980. And that national aggregate figure masks the true extent of unemployment, its growth and its intractability. Minority youth unemployment in the cities is currently above 35 percent. Mayor Marion Barry acknowledged recently that minority youth unemployment in the District of Columbia is probably over 50 percent. Although white adult male unemployment rates dropped significantly in the recovery after the 1973-5 recession, the recovery for black adult males was negligible. As we enter a new period of recession, the need is clear for a dramatic campaign to provide new employment and training opportunities to the unskilled and victims of discrimination—before they drop out of the labor force totally, never to realize their potential productivity and earning capability.

When the Department of Labor launched the "New CETA" in the fall of 1978 and placed the private sector strategy in the media forefront: the strategy, we were told, was going to replace a long-standing and largely ineffectual public sector approach. Public service employment has indeed been assigned a secondary role in the employment and training battle plan. The number of PSE jobs has been cut and the Department of Labor has argued that the jobs lost in the public sector will be compensated for by job creation in the private sector, spurred by new federal incentive programs.

It is wrong, though, to think that the private sector strategy is new. In fact, America has always had a "private sector strategy." There has never been a coherent federal jobs program since the Depression. CETA and other manpower programs were conceived of and have always been regarded as training programs. The goal is always unsubsidized employment in the private sector. Moreover, the private sector has been actively involved in employment and training programs since the Area Redevelopment Act of 1961. Only when a decade of private sector incentives and initiatives had clearly failed to address the problems of the structurally unemployed did Congress legislate a public service employment program in 1971.

The logic of a private sector strategy is unassailable. The resources and size of the private sector dwarf those of the federal government—and the job creation potential of the private sector is indeed awesome. However, the central question is whether the private sector, for all its enthusiasm and fervor about participation in providing jobs for the unemployed, is equal to the task of aiding the hard-core unemployed. As was noted, this is not the first time that the private sector has been asked to take responsibility and provide leadership in aiding those who are unemployed. Previous programs include: the National Alliance of Business JOBS program, the HIRE program, the STIP program, and others. Some have been voluntary programs. Others have provided incentives for business participation. Yet, as we shall show in this paper, the evidence is clear that the private sector has rarely been interested or active in providing training and job opportunities for the hard-core, structurally unemployed. Business makes promises, but rarely delivers,' often

arguing that the financial incentives are inadequate or the red tape overwhelming. They claim that they cannot overcome the attitudinal problems of this segment of the workforce. In many cases where business claims to be participating voluntarily, it is difficult to obtain statistics that prove involvement with the economically disadvantaged.

The evidence is clear that the private sector has rarely been interested or active in providing training and job opportunities for the hard-core structurally unemployed.

The private sector approach is necessary, but neither volunteerism nor incentives from government are sufficient. As Gary Eiben of the National Alliance of Business told us, the administration's current Private Sector Initiative Program is like "trying to leverage with a toothpick."

The government must use the stick as well as the carrot. A governmental strategy—at the federal, state and local levels—to use its leverage and financial clout to force business to get involved is the only real alternative. Government regularly provides business and industry with grants, contracts and tax breaks as incentives for particular corporate activities. It is not unfair to ask recipients of such benefits to, in turn, provide benefits to the communities in which they operate.

This principle is recognized in the provisions of many state, local and federal development programs. It is our contention, based on the past record of business involvement in employment and training programs targeted to the structurally unemployed that only such *quid-pro-quo* contractual agreements between government and business can break the pattern of business inaction. Such creative governmental leveraging can be the basis for a viable private sector strategy which, unlike the variations that have gone before, can have a significant impact on the lives and job opportunities of the structurally unemployed workers in this country—those workers who, because of their lack of skills and training, are dependent upon government income maintenance programs for their survival and who cannot fully develop their productive potential for the benefit of the nation and themselves.

A History of the Private Sector Strategy

Manpower Development and Training Act of 1962

The first substantial post-war program designed to combat unemployment in this country was the Area Redevelopment Act of 1961, which provided federal assistance to businesses in depressed areas. This was followed one year later by the Manpower Development and Training Act of 1962, an employment and training program which within 3 years was spending more than $400 million annually focusing on the needs of the cyclically unemployed, those workers displaced by fluctuations in economic conditions, and on those people unemployed due to rapid technological change in their fields. It was not until 1964 that the federal government recognized the need for a program to aid the structurally unemployed. The Economic Opportunity Act of 1964 targeted its employment and training initiatives to the poor and minorities in an effort to increase their participation and their ability to compete in the labor market, and by 1969 the Act was absorbing more than $700 million of Federal allocations.[3]

Under MDTA, both institutional and on-the-job (OJT) training was mandated. Institutional training, run by the Department of Health, Education and Welfare, was provided through formal classroom instruction at vocational education schools and centers. OJT, under the auspices of the Department of Labor, provided trainees with experience and instruction in the workplace through arrangements with private employers. Initially, most of the placements were in classroom settings and not in OJT. But the percentage of OJT placements climbed each year. In 1963, only 6 percent of the trainees were in OJT programs. By 1965, the percentage had jumped to 19 percent.[4] The trend was so pronounced that the Department of Labor became the central agency in charge of training programs within a few years.

There are several reasons for OJT's popularity, both with the Department of Labor and the private sector. OJT costs per trainee were only one-fourth as great as institutional costs and OJT trainees were more likely to find jobs after their training than were their classroom counterparts. From the perspective of private industry, the draw to OJT was a result of tight labor market conditions. Businesses were looking for workers. They liked the idea that the federal government would pick up the tab for training many people who would have been hired and trained without the subsidy.

On-the-job training programs in the 1960's did not, however, provide many opportunities for the structurally unemployed. The focus was on upgrading and retraining the cyclically unemployed. Between 1963 and 1968, 71 percent of all OJT participants were male, 74 percent were white, 55 percent had 12 years or more schooling, 65 percent were unemployed for fourteen weeks or less, and only 3 percent were income transfer recipients.[5]

In 1966, in keeping with the push for a War on Poverty, the OJT programs under MDTA were targeted more clearly to the economically disadvantaged. The guidelines were changed to mandate that 65 percent of all trainees for 1967 would be

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drawn from among disadvantaged groups. This targeting did have some effect in changing the constituency for the training programs. In 1966, only 43 percent of all OJT participants had eleven years of schooling or less. By 1969, this had shifted to 51 percent, indicating some progress toward involving more structurally unemployed workers.[3]

NAB-JOBS Program

As the cities heated up in the mid-1960's, it became clear that the limited impact of federally subsidized training programs was woefully inadequate. As a result, a new employment and training program was developed and unveiled with great fanfare in President Johnson's January 1968 State of the Union address. The Job Opportunities in the Business Sector (JOBS) program was a specific attempt to create jobs and training opportunities in the private sector for the hard-core unemployed. Run by the newly created non-profit National Alliance of Business—an intermediary organization staffed by leaders of the business community and geared to increasing private sector participation in manpower planning—the JOBS program made almost $850 million of federal subsidies available to private employers for hiring and training the disadvantaged and for providing some supportive services, such as transportation and medical care.[4] The strategy was "hire first, train later", with government subsidizing the training.

Both business and government had high hopes for the program. President Johnson announced that he would reallocate funds from existing programs to create jobs and training for one-half million hard-core unemployed by the middle of 1971. In the first months of the program, spurred on by a combination of a sense of social urgency and responsibility, a desire for favorable publicity and a shortage of labor in the extremely tight labor market of 1968, the business community eagerly contacted local NAB offices to pledge jobs. Although the program was to be concentrated in 50 major cities, it soon spread to 150. By July 1968, about 165,000 permanent jobs had been pledged, surpassing the original interim goal of 100,000 jobs by July 1969. It looked as if a combination of business volunteerism and government incentive would have a significant impact.

But the private sector's enthusiasm faded quickly. Most of the early pledges never materialized into actual jobs and new pledges became increasingly hard to secure. Businesses were reluctant to hire the structurally unemployed and generally provided jobs they would have filled anyway to people they would have hired anyway. Between 1968 and 1973, about $760 million was obligated and only about 365,000 jobs generated with the federal funds, many of which would have been created regardless. In addition, the amount of training accomplished under the JOBS program, according to a study by Sar Levitan, Garth Mangum and Ray Marshall, appears to have been minimal. In 1970, when the economic slowdown hit, many NAB hirees were the first to be laid off and firms became very reluctant to either honor old pledges or make any new ones. Two years after its much heralded introduction, the JOBS program quietly receded from public attention and activity.

The record of the NAB-JOBS program reveals a great deal about private sector attitudes toward employment and training programs. The business community was given a choice. Businesses could participate on a contract basis, which required strict record-keeping and certification of the number of disadvantaged workers actually hired and the development of formal programs of supportive services and job training for the disadvantaged, in exchange for reimbursement or subsidization by the federal government for training expenses. The other option was participation on a voluntary, non-contract basis, for which businesses received no federal subsidy but which involved no record-keeping, certification or mandated training programs.

An average of three out of four firms participating in the NAB JOBS program chose to participate "voluntarily" so there would be no governmental strings attached.

Most firms chose the voluntary, non-contract approach. Between 1969 and 1974, an average of three out of every four participating firms chose to get involved in the JOBS program on their own terms, with no strings attached (and therefore left unused more than $600 million of Federal subsidies).[5] The advantages were clear. A business did not have to hire the disadvantaged. Many businesses simply called their new employees disadvantaged, publicized their "commitment," and, as one manpower program auditor explained, took "the political IOU which they didn't have to do anything to get." Businesses that felt that the JOBS financial incentives provided an insufficient economic advantage could still reap political benefits. A full 95 percent of those hired under the contract portion of the program were certified as disadvantaged by state employment services and other agencies. Only 25 percent of those hired through the non-contract program were certified as disadvantaged. Higher percentages of non-contract than contract trainees were male, white, with twelve or more years of schooling and with family incomes in excess of $4,000. Moreover, when the demand for labor slackened in 1970-71, employers in both contract and non-con-

tract participation began hiring a greater percentage of whites, women, and better educated trainees.[9]

Charles R. Perry, in a study of the JOBS program, concluded:

> The JOBS program was initially touted as a job-creation program designed to provide meaningful work experience for the disadvantaged. However, there was little in the basic structure of operation of the program to foster such action, and there is little evidence that the program resulted in either the creation of new jobs or the modification of existing jobs on a significant scale for the benefit of the disadvantaged. In practice, job pledges typically were sought and secured on the basis of existing or prospective openings due to normal turnover, and the resulting employment opportunities were confined primarily, but not exclusively, to entry-level blue collar and service jobs.[10]

The evidence points to short-term gains in income and employment for some members of minorities and the disadvantaged and to some improvement in employer attitudes toward the unemployed. But the JOBS record also clearly indicates the eagerness of the business community to provide for its own labor needs and its equally firm reluctance to deal with the hard-core, structurally unemployed. The NAB-JOBS program, at its height, took about 40 percent of its trainees from the disadvantaged, gave them largely dead-end jobs they would have received anyway and provided little or no training.[11] The long-term impact of this major private sector initiative on the structurally unemployed is generally recognized to have been minimal.

Public Service Employment as Crisis Intervention

In 1971, the Emergency Employment Act was passed, marking a significant shift in the federal approach to employment and training. Because of the economic slowdown that began in 1972 and the clear inability of the JOBS and OJT programs to create new jobs, Congress turned to the public sector for help. During the high levels of economic activity in the 1960s, the focus had been on programs that would improve the employability of the disadvantaged. By 1971, it was obvious that training is not useful if there are insufficient job opportunities waiting at the other end. The Emergency Employment Act funded the hiring of the unemployed in transitional public service jobs in state and local governments, in effect acknowledging the unwillingness of the private sector to create new jobs for the disadvantaged. When the economy continued to lag, EEA was incorporated as a central element of the Comprehensive Employment and Training Act of 1973 (CETA), which consolidated all the various employment and training programs under one roof at the Department of Labor. The budget for public service employment under CETA grew steadily, jumping from 27 percent (or $620 million) of the CETA budget in FY 1974 to 50 percent (or $3.2 billion) in FY 1976. The President's Economic Stimulus Package passed in 1977 boosted PSE even further. In 1978, 58 percent (or $4.7 billion) of all CETA funds were spent on PSE and another 8 percent was spent on youth programs, which are also public sector jobs programs.[12]

The introduction of a subsidized public service employment program was an acknowledgement of the inability of the private sector to create new jobs for the disadvantaged.

During CETA's first five years, before reauthorization in 1978, the lion's share of PSE funds went to Title VI—employment for the cyclically unemployed. The only year that Title II programs—employment for the structurally unemployed—provided more jobs than Title VI was in 1975, when there were 153,110 individuals in Title II programs at year-end and 123,940 enrolled in Title VI. The next year, the emphasis on countercyclical PSE programs became pronounced: 214,020 individuals enrolled in Title VI at year-end and only 93,570 in Title II. By the end of 1978, as a result of the President's Economic Stimulus Package funding, Title VI enrollment had reached a high point of 496,315 compared to Title II enrollment of 111,734.[13]

HIRE and STIP: The Pendulum Swings Back

Although public sector employment programs continued to grow in the mid-1970s, there were signs by 1977 of renewed interest in private sector involvement. The HIRE I program was kicked off in 1977 with private sector enthusiasm reminiscent of the NAB-JOBS experience. Created primarily as a private sector on-the-job training program targeted to unemployed Vietnam-era veterans, economically disadvantaged youth and the long-term unemployed with incomes of under $10,000, HIRE I resembled the NAB-JOBS program in other, problematic ways.

As was true under JOBS, firms participating in HIRE have the option of signing a contract with the Department of Labor or participating voluntarily. Participants who sign a contract get reimbursed for 50 percent of the hourly wages paid to trainees. In return, they agree to hire and train 15 or more eligible individuals for full-time permanent positions paying at least $3.50 an hour, hiring first from referrals from local Employment Services.

The voluntary, non-contract participants, just

as in the JOBS program, receive no federal funds, face no restrictions on their hiring policy and are supposed to "be given special recognition by the United States Government." They are asked only to provide jobs to target group members. No special training is required. Firms themselves certify whether prospective workers are eligible and are allowed to recruit trainees by whatever means they choose. Although voluntary participants sign written pledges to make job openings available to eligible target group members, the pledge in no way places any legal obligation on the firm.

The results of the HIRE I program have been disappointing. Since 1977, approximately 1000 firms have participated in the program. Henry Sullivan of the DOL HIRE office claims that 14,000 individuals have been hired by firms who signed contracts. NAB claims that over 112,000 individuals have been hired by the 800 firms participating voluntarily. If the JOBS experience is any indication, though, a sizable percentage of those 112,000 "participants" were probably not eligible for the program. The fact that only 11 percent of those individuals claimed as hired were hired under contract shows, once again, that the business community is not interested in making firm commitments they can be held to when the issue is hiring the economically disadvantaged. The HIRE experience indicates that a 50 percent wage subsidy is not sufficient incentive to most businesses.

The benefits of the program were negligible compared to its cost. Arno Zimmer, a private consultant who evaluated the program, claims that "NAB got $16 million to promote HIRE I and they didn't even set up one national contract." He added that HIRE I, like NAB-JOBS, allowed private industry to pick up low-cost political IOUs: a lot of businesspeople "go up there (to the Hill) and tell the committees that business is working behind these programs . . . That is one way to keep the government off their back."[6] Although NAB staffers in Washington refused either to verify or deny Mr. Zimmer's figure, the actual amount is immaterial. The program officially ends on October 1, 1980; but there is little likelihood that any new jobs will be created in the private sector after the end of FY 1979. The funds will have run out by then—with few new jobs found for the targeted disadvantaged groups.

A second private sector program launched in 1977 has had a better track record. The Skill Training Improvement Program (STIP), introduced as part of President Carter's 1977 Economic Stimulus Package, provides advanced skill training for unemployed and underemployed persons. STIP is not a program for the hard-core structurally unemployed. It is partly an upgrading program and partly a retraining program for displaced and cyclically unemployed workers. Training programs are usually in high-skill industrial occupations that pay quite well.

Not surprisingly, private employers seem quite interested in STIP. They are able to find employees to fill their current manpower needs. They are encouraged to participate in program design and operation from the outset. The federal government subsidizes the training program through CETA. And employers do not have to worry about what they see as the "attitudinal problems" of the structurally unemployed.

Little evaluative data is currently available on the STIP program. There is, however, a general consensus that some firms are interested and active. It is clear that the STIP program, with its private sector oversight committees and its heavy emphasis on private sector design and implementation, was meant to be a precursor and test run to the current private sector strategy as formulated in Title VII of the reauthorized CETA legislation, the Private Sector Initiatives Program (PSIP). We will focus on PSIP in the latter half of this paper, but we question the relevance of the STIP experience to PSIP.

STIP is *not* a program for the structurally unemployed; PSIP is. STIP may have helped iron out some of the procedural and political problems that PSIP may encounter in FY 1979 and 1980. But STIP was not geared to answer the critical question about private sector involvement in employment and training programs: is the private sector willing voluntarily—or with the help of governmental incentives—to make a serious commitment, not simply to finding employees to meet current labor needs, but to the creation of new job opportunities and meaningful training programs for the hard-core structurally unemployed workers of this country? All the historical evidence points to a pessimistic conclusion. In the remainder of this paper, we will look at the private sector strategy as it is now articulated and suggest specific steps that can be taken—and must be taken—to enlist the private sector in the struggle to improve the employment outlook for the significant number of Americans who remain outside the primary labor market.

CETA Reauthorization: Reviving the Private Sector Strategy

By 1978, the year that the CETA PSE program was at its height, disenchantment with the program had become widespread. Given the prevailing climate of budget-balancing and social service cutbacks, there was significant political pressure to trim the CETA budget. The unemployment rate —at least among whites—was dropping as the economy recovered from the 1974-5 recession. The sentiment to cut back on CETA Title VI jobs for the cyclically unemployed was strong. Moreover, the press was full of horror stories of CETA fraud and mismanagement, contributing further to the backlash against PSE.

There were good reasons for dissatisfaction with the PSE program. In many cities, the jobs money was used to bail out revenue-short munici-

pal governments rather than to provide job opportunities for the disadvantaged. In Detroit, CETA money was paying the salaries of 512 police officers, 204 members of the Fire Department and 310 garbage collectors. Over half of Detroit's CETA participants in 1978 had family incomes above the poverty level.[9] Furthermore, the placement record for CETA employees was notoriously bad. In 1978, only 15 percent of Boston's CETA employees found permanent unsubsidized jobs after their CETA positions ended.[10] Training for people hired in PSE jobs was almost unheard of.

There were, in effect, two distinct PSE programs: one, for long-term municipal employees, was a revenue-sharing program for fiscally-strapped cities; the other, for the hard-core unemployed, was a short-term dead-end jobs program that was viewed by participants as the cream of government income-maintenance programs, but as neither a jobs nor a training program that could lead to unsubsidized employment.

When the time approached for the reauthorization of CETA for FY 1979, the hostility toward CETA and the public service employment program was expressed in Congress and the Administration by a programmatic shift toward cutbacks in PSE (especially Title VI countercyclical programs), the targeting of PSE funds to the structurally unemployed, and the introduction of a number of new initiatives and incentives to get the private sector excited about and involved in federal employment and training programs. The thrust of the "new CETA" was to revive, with new incentives, the private sector strategy.

For FY 1979, Title VI jobs were to be cut to 358,000 in preparation of further cutbacks to 200,000 jobs by the end of FY 1980. The level of funding for Title II-D counterstructural public service employment was to be raised to provide 267,000 jobs in both FY 1979 and FY 1980. As of March 31, 1979, Title VI enrollment had dropped to 311,082. Title II-D enrollment had jumped to 242,323.[11]

The thrust of the "New CETA" has been to revive, with new incentives, the private sector strategy.

Congress voted to target PSE jobs more specifically to the economically disadvantaged. The maximum duration of PSE employment was set at 18 months (in any five year period). Wage levels for PSE jobs were set so that the average annual wage paid by a prime sponsor would be only $7200 (adjusted up or down, area by area, based upon the ratio by which average wages in the prime sponsor's area correspond to average wages throughout the country).[12] By stipulating that prime sponsors could not supplement CETA workers' wages with non-CETA monies as they had often done in the past, DOL made sure that new CETA positions would be entry-level jobs for the economically disadvantaged, rather than high-paying, regular municipal government jobs.

The Administration developed two new private sector programs designed to offset the cuts in public service employment. Both—the Targeted Jobs Tax Credit (TJTC) and the Private Sector Initiatives Program (PSIP) added as Title VII of the CETA reauthorization legislation—are meant to give the private sector specific incentives to provide job opportunities for the economically disadvantaged. The programs were designed to counter the business community's recurring complaint that government red tape hinders private sector interest and participation. Because of the centrality of these two new initiatives in the federal government's current employment and training strategy, the success of Carter's entire employment and training strategy has become contingent upon how business reacts to and cooperates with these programs. The critical question is whether business participation will create new jobs and training opportunities for the structurally unemployed or whether the business community will merely take those tax and employment benefits that serve their current labor needs. We now turn to a closer look at these programs to see what trends are becoming apparent.

Targeted Jobs Tax Credit

The Revenue Act of 1978 replaced the general new Jobs Tax Credit with the Targeted Jobs Tax Credit, a credit of up to $3,000 a year for employers who hire employees from seven target groups: youth, 18 to 24, in economically disadvantaged families; Vietnam-era veterans under 35 who are economically disadvantaged; economically disadvantaged ex-convicts; recipients of general assistance; recipients of Supplemental Security Income (SSI) payments; youth, 16 through 18, participating in an approved cooperative education program; and handicapped individuals referred from vocational rehabilitation. Applicants receive a single voucher form that notifies potential employers that the applicant may be eligible for the tax credit. Final certification is done by Employment Services after the employer signs the voucher indicating hiring.[13]

How is the business community reacting to this credit? The response to date is embarrassingly poor, although the Department of Labor and the Internal Revenue Service must shoulder much of the blame for the slow start. Although TJTC was supposed to be implemented beginning January 1, 1979, most State Employment Security Agencies did not receive instructions on implementation until late January. DOL considers May to have been the official commencement month. It is safe to assume that many employers do not yet know that the credit even exists.

The Department of Labor initially hoped to have 100,000 individuals from the target groups "certified," i.e. hired in the private sector, by September 30. As of June 30, only 8,416 persons obtained jobs under the program.[6] In major cities, where use of the credit should be high, figures show almost no participation. Through June, Boston had certified 26 credits, Philadelphia 4 and New Orleans none.[7] In these cities and others, the CETA prime sponsors have refused to handle the vouchering process for the three targeted groups that are their responsibility (18-24 year old disadvantaged youth, Vietnam-era veterans, and ex-convicts), arguing that they lack the financial incentive to perform a "full intake" on each participant since only Employment Services offices are receiving additional DOL funds for TJTC implementation.

The Labor Department's initial goals were to serve 1 percent of the eligible target population across the country.[8] Officials now admit that the goal was too high. In Region I (New England) the certification goal for FY 1979 was 4030; the total number certified as of June 30 was 419. In Region V (Michigan, Ohio, Illinois, Indiana, Minnesota and Wisconsin) the goal was 17,970 certifications; as of June 30, only 884 people had received jobs for which employers would claim the tax credit.[9] (Table 1 gives a breakdown of vouchers and certifications by region.)

It is questionable whether the tax credit as designed would create new jobs for the structurally unemployed, even if DOL administrative problems were remedied. There are a number of reasons to be skeptical.

Most local manpower officials interviewed by the National Center for JOBS & JUSTICE staff felt that businesses will tend to follow their established hiring practices and then try to apply the credit retroactively. "It won't stimulate growth," said Joe Beall of the Massachusetts Department of Job Service. "But it will stimulate interest . . . especially in December when they're making out their taxes for next year." Bernard Allulli, of the Louisiana Department of Labor agreed: "Employers are interested, but they are interested in going back and applying it to those they have already hired." Bob Downing, Department of Labor TJTC administrator for Region I, added, "After our presentation, the only feedback we got was from tax accountants, not personnel offices." Obviously, if businesses take the tax credit at the end of the year for employees they would have hired anyway, then the job creation potential of the credit will be minimal. And the benefit to eligible participants of having a voucher in hand will be quite limited.

There are other problems with the Targeted Jobs Tax Credit. "Our employer response has been spotty," said Jim Cruso, regional TJTC administrator for Region III. "And I think that's because there is a reluctance upon their part to draw IRS attention to themselves." Peter Perkins, in charge of TJTC and the DOL Region VI office, agreed that Internal Revenue Service involvement, necessary because the incentive is a tax credit, "makes a lot of people nervous." Business complaints of excessive red tape in federal programs led DOL to develop a streamlined, simple tax credit. But no amount of simplicity will be able to convince some employers to participate, due to their feelings about IRS scrutiny.

Table 1

TJTC ACTIVITY REPORT

As of June 30, 1979

Region	Vouchers	Certifications
I	680	419
II	3,326	492
III	1,679	934
IV	5,723	3,325
V	1,649	884
VI	2,475	1,021
VII	963	391
VIII	443	252
IX	1,750	528
X	338	160
TOTALS	**19,026**	**8,416**

Some officials believe that the vouchering of eligible participants may actually backfire. Bob Downing thinks that employers see the voucher more as a stigma than as proof of an individual's initiative. "In Massachusetts, we have made concentrated efforts on those employers who had hired these groups before. But now when they show up with a voucher the employers don't want them . . . It is consistent with the reaction they had to the Employment Service in the late 1960s during the Human Resource Development push." That similar well-publicized focus on the hard-core unemployed made many employers wary of ES referrals. A few years later, when the furor died down, employer confidence in and use of Employment Services increased to the point where more employers would take whomever was referred—even those with labor market deficiencies. In Boston, currently, PSE intake workers actively discourage CETA applicants from obtaining vouchers, arguing that the stigma far outweighs the financial incentive in the eyes of most employers.

These problems aside, the question remains as to whether any Targeted Jobs Tax Credit makes sense as an incentive for the private sector to increase their hiring of the structurally unemployed. In effect, proponents of the credit contend that a 50 percent tax credit, which amounts to a wage subsidy of between 25 and 41 percent on

each newly hired unskilled disadvantaged worker, depending upon the firm's tax bracket. (See Table 2), is enough to offset the attitudinal barriers of employers to hiring the economically disadvantaged, the handicapped, and members of the other targeted groups.

This contention is open to dispute. A U.S. Chamber of Commerce—Gallup Survey, completed in July 1978, clearly indicates that businesspeople want the disadvantaged to become job-ready *before* they are hired. David Robison, in a 1979 report prepared for the National Commission on Employment Policy, put it this way: "It (business) wants the deficiencies of the American public to be remediated before young people become employees. It wants adequate orientation and counseling to be provided so that entry level employees have acceptable work attitudes and habits. It wants basic literature and arithmetic skills to be taught—if not by the schools, then by manpower programs."[2] TJTC provides for none of these supportive services. It is simply a credit. Many businesspeople will choose to leave well enough alone and will not participate.

The ingrained attitude among businesspeople that hiring the disadvantaged is always a risky proposition will, in many cases, not be altered by the incentive of a 25 percent or even a 41 percent wage subsidy. The Targeted Jobs Tax Credit alone will convince few employers to hire from a pool of employees that they do not trust or value. As Dr. Isabel Sawhill, director of the National Commission for Manpower Policy, explained "it is unlikely that a subsidy received at the corporate level will induce a line manager to hire someone perceived to be a poor risk as an employee."

There are a number of reasons to be skeptical about the effectiveness of the tax credit—even a well-designed one—in creating new jobs for the structurally unemployed.

The only firms that will be at all interested will be small low-wage, low-skill, labor intensive firms that have high turnover rates, little opportunity for advancement, no need for trained help—and which will hire laborers when they need them, whether there is a tax incentive to do so or not. Thus, this highly touted program, even were it to be taken seriously by government and business, will create a limited incentive to a limited number of firms to hire a limited number of people from the target groups. The Targeted Jobs Tax Credit will do little to stimulate employment on such a scale as to help significant numbers of the economically disadvantaged.

Private Sector Initiatives Program (Title VII of CETA)

Title VII of CETA, the Private Sector Initiatives Program (PSIP), which was added to the CETA legislation during reauthorization, is intended to be the cornerstone of the federal government's private sector strategy. $75 million is budgeted for FY 1979 to help provide private sector employment opportunities for the economically disadvantaged. Another $325 million has been authorized for the coming years. Each CETA prime sponsor has already been given money to establish a Pri-

Table 2

TJTC: WHAT IT'S WORTH

FIRM'S ANNUAL PROFIT	FIRM'S TAX BRACKET	NET VALUE OF CREDIT* yr. 1	NET VALUE OF CREDIT* yr. 2	NET TOTAL VALUE
Under $25,000	17%	$2,490	$1,245	$3,735
$25,000-$50,000	20%	$2,400	$1,200	$3,600
$50,000-$75,000	30%	$2,100	$1,050	$3,150
$75,000-$100,000	40%	$1,800	$ 900	$2,700
$100,000-Plus	46%	$1,620	$ 810	$2,430

*Based on a maximum credit of $3,000 per eligible employee of first year and $1,500 for the second year

NET TOTAL VALUE is less than the face value of the credit because the employer's business expense deduction for wages are reduced by the amount of the credit. As the table shows, the higher the tax bracket, the less valuable the credit. For this reason, it is assumed that small businesses with low profits will be most likely to use the credit.

SOURCE: "Doing Well By Doing Good" p. 4. Corporation For Public/Private Ventures, Philadelphia, Pa. July 1979.

vate Industry Council (PIC), which is to be the mechanism for involving the business community in manpower program planning. The PICs, which will be dominated by major businesses in each prime sponsor area, such as the National Alliance of Business and the Chamber of Commerce, but which must also have small business, union and community-based organization representation, are supposed to: 1) secure more jobs for the disadvantaged and 2) get the private sector involved "in all aspects of local employment and training activities."

PSIP is a new kind of incentive from government to business. The Department of Labor is offering the private sector involvement in—and perhaps control over—local employment and training programs as an incentive to increase private sector involvement in those programs. PIC proponents argue that if members of the business community can shape the programs to fit their particular needs, they will be more likely to participate. And the more willing they are to participate, the more jobs and training opportunities will open up.

The Private Industry Councils are, according to the CETA regulations, "to assist the local employment and training structure to become more responsive to the business community," "to present the private sector's view and recommendations for making programs more responsive to local employment needs," and to "advise and provide direction to the local employment and training system on ways to increase private sector job placements" for eligible persons. Allowable activities include: coordinating educational programs with on-the-job training; using direct contracts for employment and training programs with private for-profit and non-profit organizations; developing apprenticeship programs; disseminating information to and encouraging participation by private employers; providing technical assistance to private employers to reduce the administrative burden of employment and training programs; coordinating programs with other job development, placement and employment and training activities carried out by both public and private agencies; increasing opportunities for upgrading and retraining; and encouraging private employers to develop forecasts of job skill requirements.

Not surprisingly, start-up has been slow. Gary Eiben of the National Alliance of Business estimates that only about 50 percent of the prime sponsors set up PICS and submitted proposals for 1979 funds before the mid-August deadline. Rick DeLoan of the Corporation for Public/Private Ventures, an organization that has been monitoring PIC progress, agrees that progress has been "highly situational." He feels that perhaps not every prime sponsor should have tried to set up a PIC, since "250 or so will probably be a total waste." And Randall Ripley, an Ohio State University researcher following PIC implementation feels that "very few PICs will have programs set up by January."

DeLoan lists six reasons why PICs have been slow in getting off the ground: 1) businesspeople do not take a flying leap into any new venture, since their style is not to rush in without preliminary planning; 2) the process of setting up a PIC can involve delicate and time-consuming negotiations, especially in areas where NAB and the Chamber of Commerce are at odds or, as in Cleveland, where the business community and the city are at war; 3) the business community is skeptical of PIC impact in some cities, in light of requirements that labor and community-based organizations be represented; 4) CETA officials often have a poor sense of the business world and vice-versa, making communication and cooperation a slow, learning process; 5) the uncertainty and changing signals from Washington on funding levels for Title VII have slowed implementation; 6) the CETA offices have had to spend a great deal of time and energy on problems with and changes in the public service employment program this year and have, in many places, adopted a wait-and-see attitude toward PSIP, focusing instead on PSE, a program they are familiar with and understand.

Randall Ripley has concluded from initial research on the PICs that "there will be inertia as a dominant force in many areas."

Each prime sponsor's situation is different, but these problems constitute significant barriers in most areas. Some cities, like Detroit, have not even had a first meeting of the PIC. Randall Ripley has concluded from his initial research that "there will be inertia as a dominant force in many areas."

Some PICs have overcome the many barriers to implementation and have even begun to make grants. Most of these were able to build from a pre-existing public/private program, focusing either on manpower or economic development program planning. Milwaukee County (which includes the city of Milwaukee) has developed a customized on-the-job training program for Milwaukee foundries. In New York City, the PIC has been set up as a non-profit corporation so that it can receive funds from foundations and businesses as well as from CETA. The New York City PIC has packaged and brokered a multi-million dollar training program for airline reservation clerks. PAN AM is doing the actual training. A number of companies have agreed to hire the graduates. Because an experienced airline is doing the training rather than the government, other airlines have more faith that graduates will be job-ready."

The question remains, though, whether PSIP can succeed where other private sector initiatives have failed. As Dr. Isabel Sawhill admits, past programs "have been less than successful in inducing American business to hire the low-skilled marginal worker." Early indications from business are that the PICs may be no more effective than other manpower councils. A recently released survey by the National Alliance of Business of 809 business people, announced by Labor Secretary Marshall at a press conference, gives cause for worry. Only 12 percent of business executives polled were aware of the federal PSIP program—and only 14 percent of those to whom the program was described said it sounded "like a great idea." Ten percent felt the program was a "poor idea" and 70 percent said that, while it sounded good, they wanted to "wait and see."[8]

A NAB survey of 809 businesspeople recently found that only 12 percent were aware of the PSIP program and only 14 percent said that it sounded "like a great idea." Seventy percent wanted to "wait and see."

If the business community is cool to a program which depends upon private sector initiative, the potential for successful program planning will be extremely limited. David Robison, in his February 1979 report to the National Commission on Employment Policy, warned of some inherent problems. He questioned how active a role business would want to play. Some businesspeople would find it difficult to devote a lot of time to PIC meetings. Large employers "may feel duty-bound to send a personnel officer to the council," he wrote, but "if the council remains only as an advisory body, however, this participation by large companies may be *pro forma*." Robison feared that, because of insufficient business interest, the PICs would end up resembling the current manpower councils, "which have been relatively ineffective in involving employers in the CETA system." He concluded, "The result is that PICs will not be dominated by those employers who are in a position to supply jobs." Most new jobs in this country are created by small and mid-sized businesses. The PICs are mandated to be dominated by representatives of large businesses in each prime sponsor area (over 500 employees). There may be inherent problems with having big business design employment and training programs that are not relevant to their own company's situation and experience. In other words, the PIC which moves quickly and decisively and which actually creates new private sector job and training opportunities for the economically disadvantaged will probably be the exception.

"If they could," concluded Robison, "a large number of businessmen and business manpower professionals would not deal with the government at all."

What would it take to get business excited? After interviewing 45 business manpower professionals, Robison felt that the business community wanted more free rein than participation in the CETA program, even under PSIP, would provide. "If they could, a large number of businessmen and business manpower professionals would not deal with government at all, and especially not with the prime sponsors . . . Business judges training programs by the profit motive and by employer productivity which contributes to profits. The political executive must judge training programs by their effect on political power and on re-election. The political and profit motives are not seen to meet."

The Need for a New Private Sector Strategy: The Carrot and the Stick

At this point, it is necessary to challenge the basic assumptions of a private sector strategy that continually tries to accommodate business demands for more incentives and fewer constraints as a precondition for private sector involvement in employment and training programs. The PICs were created in order to give business more input and control—greater incentives for participation. Yet it is likely that even this will not prove sufficient. Given the low level of past interest in and performance by the business community in providing jobs and training for the structurally unemployed, there is little reason to believe that, in any but the most unusual situation, further incentives without strings attached would benefit the targeted constituency. It is conceivable that the business community could be satisfied with a significantly greater federal contribution to the costs of training and hiring the disadvantaged. But it is questionable whether the "satisfactory" incentive level is one that the government can afford to provide.

It is time to rethink the current private sector strategy. After so many years of the government providing business with the carrot, it is time to introduce the stick. The carrot is not a cost-effective strategy. It is clear that only if government develops creative ways to leverage its money and power to force business involvement will jobs and training for the structurally unemployed become a widespread private sector commitment. Government must develop a *quid-pro-quo* attitude toward business: we will give you a break, be it a federal contract, a local tax abatement or whatever, if

you commit yourselves to hiring and training a certain number or percentage of the hard-core unemployed. Government must look to negative as well as positive incentives: participate or lose a lucrative federal contract; hire and train people from the local unskilled workforce or lose a municipal commitment to extending sewer and road service to your plant site. The precedent for such leveraging exists and it is to these examples that we now turn.

There is little reason to believe that further incentives to business without strings attached would benefit the targeted constituency. After so many years of the government providing business with the carrot, it is time to introduce the stick.

The federal government has begun to use its resources to leverage concessions from private industry on issues that the government considers important. The Local Public Works (LPW) Program, run by the Commerce Department's Economic Development Administration, is one example. The program, which funded $4 billion in public works projects in FY 1977, was designed to improve public facilities and also provide a fiscal stimulus to the economy and to attack cyclical unemployment. The legislation authorizing the program contained the requirement that at least 10 percent of each LPW grant be spent on purchases of goods and services from minority contractors and suppliers. The argument was that some government funds should be spent preferentially in order to help attain priority employment and civil rights goals.

In Memphis, Tennessee, as a result of community pressure organized by Tennessee ACORN (Association of Community Organizations for Reform Now), the concept of priority set-asides was expanded upon. The EDA Southeastern Regional Office agreed to require from employers and contractors involved in modernizing the Locke School under the LPW program that they, whenever possible, give preferential consideration for employment to the unemployed and underemployed living in the neighborhood near the school.

The building of the Tennessee-Tombigbee Waterway, a project of the U.S. Army Corps of Engineers, is another public works program that has tried to mandate equal opportunity and employment and training programs in its contracts with private businesses involved in construction. A minority hiring clause was introduced in the Area-wide Affirmative Action Plan, as a result of community pressure led by the Minority People's Council on the Tennessee Tombigbee Waterway and the Federation of Southern Cooperatives. All contracts also have a "local labor preference clause" that requires that 60 percent of the Waterway workforce be from a 65-county area surrounding the construction sites. Recently, the Corps of Engineers included an on-the-job "worker trainee program" in their latest Waterway contracts. These provisions require that contractors participate in a program that subsidizes them for hiring less experienced workers and providing six months of on-the-job training.

And finally, the Targeted Jobs Demonstration, set up in Spring of 1978, makes about $3 million of federal funds available, on a competitive basis, to local governments who are already receiving substantial amounts of federal money for economic development and transportation projects. The local governments must use the money to coordinate their federally assisted programs so that, according to the Federal Register, "the maximum feasible number of jobs created under Federally assisted (programs) . . . go to economically disadvantaged persons who are eligible for assistance under CETA." The program also requires that the maximum number of business opportunities created through these programs go to small minority or community entrepreneurs. This coordination can take the form of new institutional arrangements, or the creation of other activities (training programs, marketing of the Targeted Tax Credit, targeting local procurements, etc.) appropriate to local needs. Local governments were to submit their applications for the program at the end of July 1979.

There are many precedents for using federal, state and local monies, contracts and services as a leverage to spur business participation in programs that are socially beneficial but perhaps not profit-maximizing.

State and local precedents have also become more common in recent years. There seems to be a growing concern that incentives to the private sector are inadequate for spurring participation in programs that are socially beneficial but perhaps not profit-maximizing. The state-run Community Development Finance Corporation (CDFC) in Massachusetts imposes covenants on businesses getting equity or long-term debt financing from the corporation that requires local and minority hiring for primary labor market positions (those paying above 150 percent of the minimum wage).

In Oregon, the Portland Port Commission imposes hiring agreements on all contractors receiving money to perform work related to the renovation of the port area. Like the CDFC program in Massachusetts, this particular program is aimed at increasing the private sector employment oppor-

tunities for minorities through government "deals" with firms it does business with. Portland also has developed a sophisticated *quid-pro-quo* system that is applicable to any expanding or relocating plants in Portland. If the city is being asked to provide preferential zoning, special sewerage or road construction or other similar freebies to a firm, the city imposes a "first source agreement" on the firm that requires that CETA-eligibles be the first source of all non-managerial jobs at the companies involved. A German chemical firm has decided to move to Portland. Of the 600 new jobs to be created, 500 have been pledged to CETA-eligibles.

These programs can provide the incentive that the business community needs—the threat of reduced business, lost contracts, and lower profits.

One last example should suffice. The New York State Department of Transportation has developed an innovative leveraging strategy for creating job training opportunities in the private sector. All contracts with the Department of Transportation over a certain dollar amount contain a rider providing money over and above the contract amount to pay for the training of minorities by the firm signing the contract. Thus, the firm does not lose any money by participating in the training program.

These innovative programs—which are, in effect, the early articulations of a new private sector strategy, one that uses both incentives and leveraging, sanctions and negative incentives to force business participation in programs to employ the unemployed and underemployed—can be adapted as part of a broad strategy of using the carrot and the stick to elicit involvement from a hesitant and often hostile business community. The federal government could mandate that any contractor doing over $10,000 business with the government must agree to hire and train CETA-eligibles on a first-source basis if they want to continue receiving federal contracts. If one considers the number of firms that contract with the Department of Defense, EDA, HUD, HEW and other agencies, the potential exists for significant leverage. Similarly, a city could link tax abatements, preferential public works improvements and other benefits to private industry to a firm commitment by businesses to play an active role in employment and training programs. It is perhaps unfortunate that such *quid-pro-quo* arrangements must be made, that the private sector has been so unwilling to provide jobs and training to the structurally unemployed. But given the reality, programs of the kind described above can provide the incentive that the business community needs—the threat of reduced business, lost contracts, and lower profits.

One simple mechanism for implementing a program that links the receipt of local governmental contract benefits to commitments by private sector firms to hire and train the structurally unemployed is a "Job Bank." The Job Bank would work like this: All businesses doing $10,000 worth of business—providing goods and services, doing construction work, and providing research and development capabilities—in the calendar year with either the federal or local government would agree to list all job openings in their business with the CETA prime sponsor. Those businesses would further agree to hire qualified individuals referred to them by the prime sponsor *before* they hire other individuals for the listed jobs. Businesses would list their job openings with the prime sponsor for one week prior to listing jobs with the general public or any other organization (except as required to do so by law). The prime sponsor would maintain the list of available jobs (including job description, location, salary and skill level required, but omitting the company's name). Individuals eligible for participation in any CETA program would have access to the Job Bank at the prime sponsor's office during business hours. Qualified individuals would be referred to specific jobs on a first come, first serve basis.

The business community will not be pleased with this new direction. But federal employment and training initiatives have never really pleased the private sector.

The effect of this Job Bank would be to force businesses to open up their hiring process to the economically disadvantaged CETA-eligible population. It would also help to alleviate the problem of CETA PSE workers currently faced with little hope of transition into unsubsidized employment in the private sector. The Job Bank would *not* confront the critical problem of training for the structurally unemployed; but strategies like that advanced by the New York Department of Transportation and the Tennessee Tombigbee Waterway project can be adapted for the purpose.

Taken together, the programs outlined in this section can provide a serious and effective reorientation of employment and training programs which can make a public/private partnership on employment and training policy a true partnership, rather than a one-way stream of ineffectual incentives. The business community will not be pleased with this new direction. But federal employment and training initiatives have never really pleased the private sector. And it is time that the emphasis be put on the needs of the target population for these programs—not the business community, but the economically disadvantaged hard-core unemployed.

It may be true that only a massive private sector effort can rid our society of the human and social costs of so much concentrated unemployment. But the history of private sector initiatives and the current record of the Carter Administration programs suggest that this goal is a long way off. It's still business as usual for business and no progress for the unemployed. Until the federal government begins to take a hard-line approach to business involvement in job creation for the structurally unemployed, there is no excuse for cuts in public service employment. Rather, we need an expanded public service jobs program.

Wishing and hoping and carping is not the route to full employment. It's time the federal government recognized that the business of putting this country to work requires more than trying to oil a log with a toothpic ...

FOOTNOTES

1. Detroit CETA figures obtained from *Public Service Employment In Detroit: How CETA Fails the Economically Disadvantaged*, National Center for Jobs and Justice, 6/79, p. 6-7
2. MDTA and EDA financial statistics obtained from *A Decade of Federal Antipoverty Programs*, Robert Haveman, Academic Press Inc., 1977, pg. 146
3. On *The Job Training: A Review of the Experience*, By Patrick O'Keefe and David Lantry, National Commission For Manpower Policy, 12/1/79, p. 6
4. Ibid. p. 7-8 (Table 1)
5. Ibid.
6. Funds available figure, O'Keefe and Lantry, p. 13 (Table 4, since 1967)
7. NAB-JOBS statistics from *The Impact of Government Manpower Programs, "Job Opportunities in the Business Sector,"* By Charles R. Perry, p. 187
8. O'Keefe and Lantry, p. 12 (Table 3) and p. 13 (Table 4)
9. Charles Perry, p. 189
10. Ibid.
11. O'Keefe and Lantry, p. 12; the 40% figure reflects the optimistic assumption that all those participating in the contract portion of the program in 1971 were economically disadvantaged
12. Figures obtained from the Employment and Training Administration, Division of Information Analysis and Systems Development
13. Ibid.
14. Interview with Arno Zimmer of Elliot, Dash, Yates, Inc. (Wash. D.C.) August 8, 1979
15. *Public Service Employment in Detroit . . . .* p. 6
16. *The Boston CETA Program: Broken Promises*, Workers Association to Guarantee Employment, (Boston, Mass.), p. 3
17. House and Senate Budget Committee recommendations and Employment and Training Administration statistics
18. The $7200 wage limit has become a serious problem. In cities where municipal employee wage rates are well above $7200 and where municipal employees unions are strong, cities are unable to hire CETA employees at such a low wage rate. Even community based organizations are having difficulty providing sufficient jobs opportunities at $7200. The result is an ironic situation where some cities have money for more CETA slots than they can provide jobs for.
19. Linked to the TJTC is the WIN/Welfare Tax Credit. WIN registrants and individuals who have received AFDC payments for ninety days prior to being hired are eligible for the WIN/Welfare Tax Credit which offers benefits identical to TJTC but maintains some differences in eligibility requirements. Although the mechanism for the WIN/Welfare credit is different—there is no voucher and it is administered through WIN teams and Welfare offices—the two credits should be thought of as part of the same program, since the credit itself is the same for both.
20. *Status Report of the Targeted Jobs Tax Credit*, U.S. Employment Service, July 27, 1979, p. 1
21. Statistics obtained from Job Service officers in these cities or regions: Boston, Joe Beall; Philadelphia, Barry Berkowitz; New Orleans, Bernard Allulli. Interviews, Aug 1-3
22. The 1% figure was obtained by using the 100,000 certification objective of DOL for Fiscal 1979, and the estimated eligible population—calculated from "certification workload" figures used by DOL in their allocation formulas for TJTC (allocations went to the State Employment Service Agencies on the basis of a number of factors—one being estimated "workload"). Workload figures were obtained from DOL's Office of Program Planning and Resource Allocation and most likely underestimate the size of the eligible population.
23. Goals obtained from the TJTC Task Force of DOL
24. *The Attitudes of Employers and Business Professionals Toward Government Manpower Programs*, by David Robison, Feb. 1979, Prepared for the National Commission on Employment Policy. All Robison quotes are from this paper.
25. Progress of PICs in selected cities obtained from conversations with Randall Ripley of the Ohio State University Resource Foundation, August 6, 1979
26. *The Washington Post*, "Jobs Program Unnoticed by Business", August, 14, 1979 "Business and Finance" page

PREPARED TESTIMONY OF M. ALFRED HAYNES, M.D., M.P.H. PRESIDENT/DEAN, CHARLES R. DREW POSTGRADUATE MEDICAL SCHOOL, LOS ANGELES, CALIF.

My name is Dr. M. Alfred Haynes and I am the Dean of the Drew Postgraduate Medical School. My specialty is Public Health and I have been involved in the teaching and practice of Community Medicine for the last 25 years. I have studied the health problems of Southeast Los Angeles since 1969 and even though my comments may be based largely on that region, they apply equally well to conditions in many inner city areas of the United States.

First let me state, as a matter of principle, that any problem which contributes to illness or to the death of people is a medical problem. Using this definition, the greatest medical problem in Southeast Los Angeles is the problem of unemployment.

Although it has been observed that the socio-economic status of a population is a major determinant of health, many physicians have persisted in confining the definition of medical problems to those conditions which physicians can treat with a pill or an injection now or at some time in the future. All other problems are considered non-medical problems. By this reasoning, when infants die from pneumonia, it is a medical problem but when they die as a result of poverty, it is not a medical problem. Violence is the leading cause of death in certain age groups but if we cannot see the causative agent under a microscope, then it is not a medical problem. Higher rates of admission to mental hospitals may be a cause of concern to physicians if these patients can be cured by psychotropic drug, but if the mental stress is due to chronic frustration related to unemployment, it is not a medical problem. I reject that notion and say unequivocally that any factor which is shown to bear a relationship to ill health or to premature death is of concern to the medical profession and even though our expertise may be limited in these areas, we want to lend our full support to every effort to eradicate these causes of poor health.

There is increasing evidence, both in the United States and in Great Britain, that the national economy has a profound influence on the physical and mental health of the population and the relationship can no longer be ignored either by those who determine economic policies or by those who care for the sick. Stated differently, any efforts which facilitate a decrease in unemployment will also facilitate an improvement of health and those who ignore the problems of unemployment are contributing to illness and death.

Physicians who serve in underserved areas see daily the consequences of chronic unemployment and underemployment. We see it in the form of higher infant mortality, cirrhosis of the liver, homicide, and mental illness. What physicians do in hospitals may have limited impact on the rate of some of these problems but it is the responsibility of physicians who see these problems daily to emphasize all of the contributing factors and to support every effort to eradicate the causes.

I am particularly concerned about teenage unemployment because it has such a devastating effect on the well being of the individual. A successful early job experience means a great deal in our society where a person's worth is measured by his ability to earn a livelihood. Continued failure in this experience is castrating and raises serious questions about one's worth in today's society. As a medical institution, we have supported the CETA Program, not only because we would like to see these young people well trained and have an opportunity to achieve and progress, but also because we realize that it has a significant impact on their physical and mental health and, in turn, on the health of the community of which they form a part. We want to see these young people physically, economically and mentally healthy, and a job is a first step towards economic self-sufficiency. One of the alternatives is to see them either as the subjects or objects of violent crime. This alternative is the one we would rather prevent.

Contrary to what many may think, there are many of these young people who really want a meaningful job. As you know, the employment statistics seldom reflect the true picture. These statistics do not usually include the large numbers of young people who are so discouraged with the system that they do not even try. They are the ones who subsequently appear as another kind of statistic.

We want to publicly applaud the dedicated work of the chairman and of this entire committee. More than that, we want to underscore the relationship between employment and health, and lend our support to any effort which will contribute to the improvement of employment in communities of desperate need.